SPRINT NEXTEL CORP
Form 10-K
February 28, 2013
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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, 2012
or

o 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	48-0457967
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6200 Sprint Parkway, Overland Park, Kansas	66251
(Address of principal executive offices)	(Zip Code)

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

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 x No o

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 o No x

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 x No o

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer (Do not check if smaller reporting company)	o	Smaller reporting company	o

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

Aggregate market value of voting and non-voting common stock equity held by non-affiliates at June 30, 2012 was $9,762,996,418

COMMON SHARES OUTSTANDING AT FEBRUARY 25, 2013:

VOTING COMMON STOCK

Series 1	3,010,769,241

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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 wireless 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 wireless revenue, one of the largest providers of wireline long distance services, and one of the largest Internet carriers in the nation. Our services are provided through our ownership of extensive wireless networks, an all-digital global long distance network and a 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 of Sprint®, Boost Mobile®, Virgin Mobile®, and Assurance Wireless® on networks that utilize third generation (3G) code division multiple access (CDMA), integrated Digital Enhanced Network (iDEN), or Internet protocol (IP) technologies. We also offer fourth generation (4G) services through our deployment of Long Term Evolution (LTE) as part of our network modernization plan, Network Vision, and also utilize Worldwide Interoperability for Microwave Access (WiMAX) technology through our mobile virtual network operator (MVNO) wholesale relationship with Clearwire Corporation and its subsidiary Clearwire Communications LLC (together, "Clearwire"). 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.
Recent Developments
On October 15, 2012, we entered into an Agreement and Plan of Merger (Merger Agreement) with SOFTBANK CORP., a kabushiki kaisha organized and existing under the laws of Japan, and certain of its wholly-owned subsidiaries (together, "SoftBank"). Upon consummation of the merger (SoftBank Merger), (i) Sprint will become a wholly-owned subsidiary of a subsidiary of SoftBank (New Sprint), (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former stockholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's stockholders, and is expected to close in mid-2013.
In addition, on October 15, 2012, Sprint and SoftBank entered into a Bond Purchase Agreement (Bond Agreement), and on October 22, 2012, Sprint issued a convertible bond (Bond) under the Bond Agreement to New Sprint with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019. The Bond is convertible into approximately 590 million shares of Sprint common stock, subject to adjustment. The Bond will convert into shares of Sprint common stock immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement.
On November 6, 2012, Sprint entered into a definitive agreement with United States Cellular Corporation (U.S. Cellular) to acquire personal communications services (PCS) spectrum and approximately 585,000 customers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint has agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets. These costs are expected to range from $130 million to $150 million on a net present value

basis, but in no event will Sprint's reimbursement obligation exceed $200 million on an undiscounted

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basis. The additional spectrum will be used to supplement Sprint's coverage in these areas. The transaction is subject to customary regulatory approvals and is expected to close in mid-2013.

On December 11, 2012, Sprint purchased the equity holdings of one of Clearwire's equityholders, Eagle River Holdings, LLC (Eagle River) comprised of 30.9 million shares of Clearwire Corporation Class A Common Stock and 2.7 million shares of Clearwire Communications LLC Class B Interests, for a total purchase price of $100 million in cash.

In addition, on December 17, 2012, Sprint entered into a merger agreement with Clearwire Corporation to acquire all of the remaining equity interests in Clearwire Corporation that we do not currently own for approximately $2.2 billion in cash, or $2.97 per share (Clearwire Acquisition). In connection with the Clearwire Acquisition, Clearwire Corporation and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be exchangeable for Clearwire common stock at $1.50 per share, subject to certain conditions and subject to adjustment. Under the financing agreements, Sprint has agreed to purchase $80 million of exchangeable notes per month for up to ten months beginning in January 2013, with some of the monthly purchases subject to certain funding conditions, including conditions relating to approval of the Clearwire Acquisition by Clearwire's shareholders and the parties agreeing to a network build out plan. On January 31, 2013 Sprint and Clearwire entered into an amendment to the financing agreement which extended the date the parties were to agree to a network build out plan from January 31, 2013 to February 28, 2013. The Clearwire Acquisition is subject to customary regulatory approvals, is contingent on the consummation of the SoftBank Merger, and is expected to close in mid-2013.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

See “Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations” and also refer to the Notes to the Consolidated Financial Statements for more information on the proposed business transactions and acquisitions noted above. Also see Item 1A, “Risk Factors" for risks related to the Softbank Merger and Clearwire Acquisition.

Our Business Segments

We operate 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 the Notes to the Consolidated Financial Statements.

Wireless

We offer wireless services on a postpaid and prepaid payment basis to retail subscribers and also on a wholesale and affiliate basis, which includes the sale of wireless services that utilize the Sprint network but are sold under the wholesaler's brand. We support the open development of applications, content, and devices on our network platforms through products and services such as Google Voice,™ which allows for functionality such as one phone number for all devices (home, wireless, office, etc.), routing calls between devices, and in-call options to switch between devices during a call, and Google Wallet,™ which provides the ability to store loyalty, gift and credit cards, and to tap and pay while you shop using your wireless device. We have recently introduced Sprint Guardian, a collection of mobile safety and device security bundles that provide families relevant tools to help stay safe and secure, and Pinsight Media+, a new advertising service giving advertisers the power to reach consumers on their mobile device by providing more relevant advertising based on information consumers choose to share about their location and mobile Web browsing history. In addition, we enable a variety of business and consumer third-party relationships, through our portfolio of machine-to-machine solutions, which we offer on a retail postpaid and wholesale basis. Our machine-to-machine solutions portfolio provides a secure, real-time and reliable wireless two-way data connection across a broad range of connected devices such as the Chrysler Group's UConnect® Access in-vehicle communications system which enables hand free phone calls, and the ability to access music, navigation, and other applications and services through cell connections built into the vehicle. Other connected devices include original equipment manufacturer (OEM) devices and after-market in-vehicle connectivity and electric vehicle

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charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment, and a variety of other consumer electronics and appliances.

In our postpaid portfolio, we have reduced confusion over consumer pricing plans and complex bills with our Simply Everything® and Everything Data plans and our Any Mobile Anytime℠ feature. We also offer price plans tailored to business subscribers such as Business Advantage℠, which allows for the flexibility to mix and match plans that include voice, voice and messaging, or voice, messaging and data to meet individual business needs and also allows the Any Mobile Anytime feature with certain plans. In January 2013, we introduced Sprint As You Go℠ which offers unlimited talk, text and data while on the Sprint network paired with the flexibility of a monthly no-contract plan, which is available with select devices.

Our prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber segments. Boost Mobile serves subscribers who are voice and text messaging-centric with its popular Monthly Unlimited plan with Shrinkage service where bills are reduced after six on-time payments. Virgin Mobile serves subscribers who are device and data-oriented with our Beyond Talk™ plans and our broadband plan, Broadband2Go, which offers subscribers control, flexibility and connectivity through various communication vehicles. Virgin Mobile is also designated as a Lifeline-only Eligible Telecommunications Carrier in certain states which provides service for the Lifeline program under our Assurance Wireless brand. Assurance Wireless provides eligible subscribers who meet income requirements or are receiving government assistance with a free wireless phone and 250 free minutes of local and long-distance monthly service.

Services and Products

Data & Voice Services

Wireless data communications services include mobile productivity applications, such as Internet access, 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 satellite radio, download and listen to music, and play games with full-color graphics and polyphonic and real-music sounds from a wireless handset.

Wireless voice communications services include basic local and long distance wireless voice services throughout the United States, as well as voicemail, call waiting, three-way calling, caller identification, directory assistance and call forwarding. 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 for wireless services provided to large companies and government agencies.

Products

Our services are provided using a broad array of device selections and applications and services that run on these devices to meet the growing needs of customer mobility. Our multi-functional device portfolio includes many cutting edge devices from various OEMs. Our mobile broadband portfolio consists of devices such as hotspots, which allow the connection of multiple WiFi enabled devices and aircards. 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. Our networks can also be accessed through our portfolio of embedded tablets and laptops manufactured by various suppliers for use with our voice and data services. In addition, 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 our existing networks or as a reseller of 4G WiMAX services through our MVNO wholesale relationship with Clearwire.

Our current Sprint platform, 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, known as CDMA, 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,

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affiliations under commercial arrangements with third-party affiliates (Affiliates) and roaming on other providers' networks.

In 2009, our Sprint platform subscribers in certain markets began to have access to Clearwire's 4G WiMAX network through an MVNO wholesale arrangement that enables us to resell Clearwire's 4G wireless services under the Sprint brand name. The services supported by 4G WiMAX give subscribers with compatible devices high-speed access to the Internet.

In December 2010, we announced Network Vision, a multi-year network infrastructure initiative intended to provide subscribers with an enhanced network experience by improving voice quality, coverage, and data speeds, while enhancing network flexibility, reducing operating costs, and improving environmental sustainability through the utilization of multiple spectrum bands onto a single multi-mode base station. In addition to implementing these multi-mode base stations, this plan encompasses next-generation push-to-talk technology with broadband capabilities and the integration of multi-mode chipsets into smartphones, tablets and other broadband devices, including machine-to-machine products. Through the deployment of Network Vision, we are migrating to a single nationwide network allowing for the consolidation and optimization of our 800 megahertz (MHz), 1.9 gigahertz (GHz) spectrum, as well as other spectrum, into multi-mode stations allowing us to repurpose spectrum to enhance coverage, particularly around the in-building experience. The multi-mode technology also utilizes software-based solutions with interchangeable hardware to provide greater network flexibility, which has allowed for the deployment of LTE.

Our Nextel platform, which is expected to be shut-down by June 30, 2013, is an all-digital packet data network based on iDEN wireless technology provided by Motorola Solutions, Inc. We are the only national wireless service provider in the United States that utilizes this technology. Generally, Nextel platform devices are not enabled to roam on wireless networks that do not utilize iDEN technology. As a result of our plan to shut-down our Nextel platform, we will continue to pursue the retention of these customers through competitive offerings on the Sprint platform.

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.

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 owned and operated by us, that focus on sales to the consumer market 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 businesses and the consumer market, and are generally paid through commissions; and
- subscriber-convenient channels, including web sales and telesales.

We market our postpaid services under the Sprint® brand. We generally offer these services on a contract basis typically for a two-year period, with services billed on a monthly basis according to the applicable pricing plan. In January 2013, we introduced a Sprint branded no contract service, Sprint As You Go. As we shut-down the Nextel platform, our efforts will continue to pursue the recapture of Nextel platform subscribers; however, prospectively we will continue our efforts to focus on profitable growth through service provided on an enhanced wireless network on the Sprint platform. We market our prepaid services under the Boost Mobile, Virgin Mobile, and Assurance Wireless 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 and services 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 Basketball Association (NBA). The goal of these marketing initiatives is to increase brand awareness and sales.

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Our customer management organization works to improve our customers' 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 resolve inquiries from subscribers and proactively address subscriber needs.

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 (Verizon) 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. 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 services to resellers. Competition will increase as a result of certain mergers and acquisitions, as new firms enter the market, and as a result of the introduction of other technologies such as LTE, the availability of previously unavailable spectrum bands, such as the 700 MHz spectrum band, and the potential introduction of new services using unlicensed spectrum. 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 has matured, it has become increasingly important to retain existing subscribers in addition to attracting new subscribers, particularly in less saturated growth markets such as those with non-traditional data demands. Wireless carriers are addressing the growth in non-traditional data needs by working with OEMs to develop connected devices such as after-market in-vehicle connectivity and electric vehicle charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment and a variety of other consumer electronics and appliances, which utilize wireless networks to increase consumer and business mobility. In addition, 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 certain devices at prices lower than their acquisition cost. We may offer higher cost devices at greater discounts than our competitors, with the expectation that the loss incurred on the cost of the device will be offset by future service revenue. As a result, we and our competitors recognize point-of-sale losses that are not expected to be recovered until future periods when services are 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 to retain and attract 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 and consumer 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). Cable MSOs resell our local and long distance services and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-use subscribers.

Services and Products

Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, managed network services, Voice over Internet Protocol (VoIP), Session Initiated Protocol (SIP) and traditional voice services. Our IP services can also be combined with wireless services. Such services include our Sprint Mobile Integration service, which enables a wireless handset to operate as part of a subscriber's wireline voice network, and our DataLink^{SM} service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data

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network, making it easy for businesses to adapt their network to changing business requirements. In addition to providing services to our business customers, the wireline network is carrying increasing amounts of voice and data traffic for our Wireless segment as a result of growing usage by our wireless subscribers.

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. We also provide wholesale voice local and long distance services to cable MSOs, which they offer as part of their bundled service offerings, as well as traditional voice and data services for their enterprise use. However, the digital voice services we provide to some of our cable MSOs have become large enough in scale that they have decided to in-source these services. We also continue to provide voice services to residential consumers. Our Wireline segment markets and sells its services primarily through direct sales representatives.

Competition

Our Wireline segment competes with AT&T, Verizon Communications, CenturyLink, 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. Over the past few years, our long distance voice services have experienced an industry-wide trend of lower revenue from lower prices and increased competition from other wireline and wireless communications companies, as well as cable MSOs and Internet service 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, including cable companies, 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 contributes 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 in our Wireless segment, and imposes licensing and technical requirements, including provisions related to the acquisition, assignment or transfer of radio licenses. Depending upon state law, CMRS providers can be subject to state regulation of other terms and conditions of service. Our Wireline segment also is subject to 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 way our industry operates. We cannot predict the outcome of any of these matters or their potential impact on our business. See Item 1A, "Risk Factors—Government regulation could adversely affect our prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth or results of operations." Regulation in the communications industry is subject to change, which could adversely affect us in the future. The following discussion describes some of the significant 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

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

- grant licenses in the 800 MHz band, 900 MHz band, 1.9 GHz 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 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 1.9 GHz, 800 MHz, and 900 MHz FCC licenses authorizing the use of radio frequency spectrum to deploy our wireless services.

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 which we have met 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 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.

800 MHz and 900 MHz License Conditions

Spectrum in our 800 MHz and 900 MHz bands originally was licensed in small groups of channels, therefore 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 the 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”). 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. Also, in exchange, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band; however, we were required to relocate and reimburse the incumbent licensees in this band for their costs of relocation to another band designated by the FCC. We completed all of our 1.9 GHz incumbent relocation and reimbursement obligations in the second half of 2010. The minimum cash obligation under the Report and Order is \$2.8 billion. 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

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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. We submit the qualified 800 MHz relocation costs to the FCC for review for potential letter of credit reductions on a periodic basis. As a result of these reviews, our letter of credit was reduced from $2.5 billion at the start of the project to $859 million as of December 31, 2012, as approved by the FCC. As required by the Report and Order, the letter of credit had a minimum of $850 million, which was largely intended to protect both the relocating licensees as well as the US Treasury should an anti-windfall payment be necessary. Given the significant progress that has been made, the total amounts spent to date, and the remaining forecasted amounts to be spent by the licensees, Sprint believes it is reasonable to allow the letter of credit to be reduced below $850 million. Accordingly, in January 2013, we submitted a Request for Declaratory Ruling to the FCC requesting two items: (i) that it declare that Sprint will not owe any anti-windfall payment to the US Treasury, because we have exceeded the $2.8 billion of required expenditures, and (ii) that the FCC remove the $850 million minimum for the letter of credit and allow further reductions based on quarterly estimates of remaining obligations. This Request for Declaratory Ruling is pending before the FCC.

Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008. The FCC continues to grant 800 MHz public safety licensees additional time to complete their band reconfigurations which, in turn, delays our access to some of our 800 MHz replacement channels. Accordingly, we will continue to transition to our 800 MHz replacement channels consistent with public safety licensees' reconfiguration progress. We anticipate that continuing reconfiguration progress will be sufficient to support the 800 MHz portion of our Network Vision rollout. On May 24, 2012, the FCC revised its rules to authorize Sprint to deploy wireless broadband services, such as CDMA and LTE, on its 800 MHz spectrum, including channels that become available to Sprint upon completion of the 800 MHz band reconfiguration program.

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. While in general 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, the FCC has taken steps to license spectrum designated for auction in the Middle Class Tax Relief and Job Creation Act of 2012. In particular, the FCC has initiated two proceedings to auction the Advanced Wireless Services H Block and to reallocate and auction broadcast spectrum in the 600 MHz Band.

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 subscriber'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 the carrier. The FCC is currently reviewing the accuracy standards for the provision of wireless 911 services indoors and may impose additional obligations, but we believe we comply with current requirements.

National Security

National security and disaster recovery issues continue to receive attention at the federal, state and local levels. For example, the new Congress is expected to again consider cyber security legislation to increase the security and resiliency of the Nation's digital infrastructure. It is also understood that the President may issue an Executive Order directing the Department of Homeland Security and other government agencies to take a number of steps to improve the security of the Nation's critical infrastructure. We cannot predict the cost impact of such measures. In addition, the FCC continues to examine issues of network resiliency and reliability, particularly in the wake of the weather-related disasters that struck the U.S. mainland in 2012 and may seek to impose additional regulations designed to reduce the severity and length of disruptions in communications. Again, we cannot predict the cost impact of any regulations the FCC adopts. The FCC, in conjunction with the Federal Emergency Management Agency and Department of Homeland Security, may also seek to enhance wireless emergency alerting systems. Sprint has been providing such emergency alerts since January 2012.

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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 State and Tribal Historic Preservation Offices. The FCC rules govern historic preservation review of projects, which can make it more difficult and expensive to deploy antenna facilities. The FCC has imposed a tower siting “shot clock” that requires local authorities to address tower applications within a specific timeframe, which can assist carriers in more rapid deployment of towers. Certain local jurisdictions sought review of the rule in the courts and a decision is expected in 2013 by the United States Supreme Court on the issue of federal agency deference in making such determinations. The decision could potentially impact the speed of deployment of some of Sprint's telecommunications facilities, including Network Vision. The FCC also modified its antenna structure registration process in order to help address public notice requirements when plans are made for construction of, or modification to, antenna structures required to be registered with the FCC, potentially adding to the delays and burdens associated with tower siting, including potential challenges from special interest groups. To the extent governmental agencies continue to impose additional requirements like this 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 additional programs, including the implementation of E911 and 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), which was 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 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. Our communications and back-office services enable the cable companies to provide competitive local and long distance telephone services primarily in a VoIP format to their end-use customers.

Voice over Internet Protocol

We offer VoIP-based services to business subscribers and transport VoIP-originated traffic for various cable companies. The FCC issued an order in late 2010 reforming, among other things, its regulatory structure governing intercarrier compensation and again declined to classify VoIP services as either telecommunications services or information services. However, it prescribed the rates applicable to the exchange of traffic between a VoIP provider and a local exchange carrier providing service on the public switched telephone network (PSTN). The rate for toll VoIP-PSTN traffic is the interstate access rate applicable to non-VoIP traffic regardless of whether the traffic is interstate or intrastate. The rate for non-toll VoIP-PSTN traffic is the applicable reciprocal

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compensation rate. These rates will be reduced over the next several years as the industry transitions to bill-and-keep methodology for the exchange of all traffic. Providers of interconnected VoIP will continue to be required to contribute to the federal Universal Service Fund (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, the FCC's rate prescription decision is expected to reduce our costs for such traffic over time as well as reduce disputes between carriers that often result in litigation.

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, we are required to obtain licenses to provide wireline services and comply with certain government requirements.

Other Regulations

Network Neutrality

On December 22, 2010, the FCC adopted so-called net neutrality rules. The FCC rules for fixed broadband Internet access services consist of: (a) an obligation to provide transparency to consumers regarding network management practices, performance characteristics, and commercial terms of service; (b) a prohibition on blocking access to lawful content, applications, services and devices; and (c) a prohibition on unreasonable discrimination. The FCC acknowledged, however, that mobile broadband is in its early stages of development and is rapidly changing and accordingly adopted lesser obligations for mobile providers. Mobile providers must: (a) provide transparency to consumers in the same manner as fixed providers; and (b) not block access to lawful websites and applications that compete with the provider's own voice or video telephony services. Other rules applicable to fixed broadband, including no blocking of other applications, services or devices, and the prohibition on "unreasonable discrimination," do not apply to mobile providers. Because the net neutrality rules applicable to mobile broadband are relatively narrow and because we have deployed open mobile operating platforms on our devices, such as the Android platform created in conjunction with Google and the Open Handset Alliance, the rules should not adversely affect the operation of our broadband networks or significantly constrain our ability to manage the networks and protect our users from harm caused by other users and devices.

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 several proceedings to address issues of consumer protection, including the use of early termination fees, the FCC has opened an investigation into “bill shock” concerning overage charges for voice, data and text usage, and the FCC has proposed new rules to address cramming. The wireless industry has proactively addressed many of these consumer issues by adopting industry best practices such as the addition of free notifications for voice, data, messaging and international roaming to address the FCC's bill shock proceeding. If these FCC proceedings 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 charge other carriers special access charges for access to dedicated facilities that are paid by both our Wireless and Wireline segments. These fees and charges are a significant cost for our Wireless and Wireline segments. In November 2011, the FCC adopted comprehensive intercarrier compensation reforms, including a multi-year transition to a system of bill-and-keep for terminating switched access charges. These reforms have decreased and are expected to continue to decrease our terminating switched access expense over time.

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In the November 2011 order, the FCC also adopted new rules requiring local exchange carriers (LECs) to lower their rates when they meet certain traffic pumping "triggers." Traffic pumping occurs 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. As a major wireless and wireline carrier, we have been assessed millions of dollars in access charges for "pumped" traffic. The FCC's new rules have limited, to some extent, our exposure to these traffic pumping costs.

The FCC's special access rate proceeding remains open. In 2012, the FCC released an order freezing the existing special access pricing flexibility "triggers," and another order requiring parties to submit information needed to assess the level of competition in the special access market. The FCC also has initiated a further notice of proposed rulemaking to consider whether special access pricing flexibility rules need to be changed, and whether the terms and conditions governing the provision of special access are just and reasonable. We continue to advocate for special access reform but cannot predict when these proceedings will be completed or the outcome of these proceedings.

Universal Service Reform

Communications carriers contribute to and receive support from various USFs 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 USFs to which we contribute. The FCC is considering changing its USF contribution methodology, and may replace the interstate telecommunications revenue-based assessment with one based on either connections (telephone numbers or connections to the public network) or by expanding the revenue base to include data revenues. The latter approach in particular could impact the amount of our assessments. The FCC issued a notice of proposed rulemaking on USF reform in April 2012, but has not announced an estimated timeline for adoption of an order in this proceeding. In addition, the FCC issued a decision redefining the manner in which carriers certify their compliance with USF obligations on facilities used in the provision of information services beginning in 2014. The FCC's new service-by-service certification process may increase our cost of complying with the FCC's USF obligations and/or our USF contribution obligations in some circumstances. This order has been challenged on appeal and various carriers have sought reconsideration of the decision before the FCC. As permitted, we assess subscribers a fee to recover our USF contributions.

In 2012, Sprint completed the mandated phase out of its high-cost USF support as an Eligible Telecommunications Carrier (ETC). Sprint did not participate in the "Mobility Fund" or "Connect America Fund" broadband USF programs, but continues to evaluate possible future participation in these programs.

Virgin Mobile is designated as a Lifeline-only ETC in 36 jurisdictions as of December 31, 2012, and provides service under our Assurance Wireless brand. Lifeline ETC applications are pending or planned in other jurisdictions as well. Virgin Mobile's Federal Lifeline USF receipts increased substantially in 2012, although changes in the Lifeline program by the FCC and other regulatory/legislative bodies could negatively impact growth in the Assurance Wireless and wholesale subscriber base and/or the profitability of the Assurance Wireless and wholesale business overall. The FCC recertification process, for example, is expected to have a substantial one-time reduction on subscribers in the first half of 2013.

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 provide records concerning those communications. 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.

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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.

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®," "Boost Mobile®" and "Assurance Wireless®." 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 our 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 "Sprint" trademark. 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.

Access to Public Filings and Board Committee Charters

Important information is routinely posted on our website at www.sprint.com. 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 or furnished to the 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://www.sprint.com/investors. 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. Information contained on or accessible through our website or the SEC's website is not part of this annual report on Form 10-K.

Public access is provided to our Code of Ethics, entitled the Sprint Nextel Code of Conduct (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.

Employee Relations

As of December 31, 2012, we employed approximately 39,000 personnel.

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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 retain and attract 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 retain current subscribers and attract new subscribers. If we are unable to retain and attract wireless subscribers, our financial performance will be impaired, and we could fail to meet our financial obligations. Beginning in 2008 through 2012, we experienced net decreases in our total retail postpaid subscriber base of approximately 9.7 million subscribers (excluding the impact of our 2009 acquisitions).

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

- the successful deployment and completion of our network modernization plan, Network Vision, including a multi-mode network infrastructure, successful LTE implementation and deployment, and push-to-talk capabilities of comparable quality to our existing Nextel platform push-to-talk capabilities;
- our ability to mitigate churn as we migrate Nextel platform push-to-talk subscribers to other offerings on our Sprint platform, which include offerings on our multi-mode network, such as Sprint Direct Connect and LTE;
- actual or perceived quality and coverage of our networks, including Clearwire's 4G WiMAX network;
- Clearwire's ability to successfully obtain additional financing for the continued operation and build-out of its 4G networks;
- our ability to access additional spectrum;
- our successful execution of marketing and sales strategies, including the acceptance of our value proposition; service delivery and customer care activities, including new account set up and billing; and our credit and collection policies;
- our ability to anticipate and respond to various competitive factors affecting the industry, including new technologies, products and 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;
- our ability to anticipate and develop new or enhanced technologies, products and services that are attractive to existing or potential subscribers;
- public perception about our brands; and
- our ability to maintain our current MVNOs, including Clearwire, and to enter into new arrangements with MVNOs.

Our ability to retain subscribers may 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.

Moreover, service providers frequently offer wireless equipment, such as devices, below acquisition cost as a method to retain and attract subscribers that enter into wireless service agreements for periods usually extending 12 to 24 months. Equipment cost in excess of the revenue generated from equipment sales is referred to in the industry as equipment net subsidy and is generally recognized when title of the device passes to the dealer or end-user subscriber. The cost of multi-functional devices, such as smartphones, including the iPhone®, has increased significantly in recent years as a result of enhanced capabilities and functionality. At the same time, wireless service providers continue to compete on the basis of price, including the price of devices offered to subscribers, which has resulted in increased equipment net subsidy. We have entered into a purchase commitment with Apple that increases the average equipment net subsidy for postpaid devices resulting in a reduction to consolidated results from

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operations and reduced cash flow from operations associated with initiation of service for these devices until such time that retail service revenues associated with customers acquiring these devices exceeds such costs.

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.

As the wireless market matures, we must increasingly seek to attract subscribers from competitors and face increased credit risk from new postpaid 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. In addition, the higher market penetration also means that subscribers purchasing postpaid wireless services for the first time, on average, have lower credit scores than existing wireless subscribers, and the number of these subscribers we are willing to accept is dependent on our credit policies, which may be different than our competitors. To the extent we cannot compete effectively for new subscribers or if they are not creditworthy, our revenues and results of operations will be adversely affected.

The Merger Agreement contains provisions that could affect the decisions of a third party considering making an alternative acquisition proposal to the SoftBank Merger.

On October 15, 2012, Sprint entered into the Merger Agreement with SoftBank, Starburst I, Inc., a Delaware corporation and a direct wholly owned subsidiary of SoftBank (HoldCo), Starburst II, Inc., a Delaware corporation and a direct wholly owned subsidiary of HoldCo (Parent), and Starburst III, Inc., a Kansas corporation and a direct wholly owned subsidiary of Parent (Merger Sub and, together with SoftBank, HoldCo, Parent, the "SoftBank Entities"), pursuant to which, at the effective time of the Merger (Effective Time), Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent (SoftBank Merger). Upon consummation of the SoftBank Merger, Parent will be renamed Sprint Corporation (New Sprint). Under the terms of the Merger Agreement, in certain circumstances Sprint may be required to pay to SoftBank a termination fee of $600 million, or to pay certain fees of the SoftBank Entities up to a maximum of $75 million, in connection with termination of the Merger Agreement. In addition, the Merger Agreement limits the ability of Sprint to initiate, solicit, encourage or facilitate acquisition or merger proposals from a third party. These provisions could affect the decision by a third party to make a competing acquisition proposal, or the structure, pricing and terms proposed by a third party seeking to acquire or merge with Sprint.

Pending litigation against Sprint, SoftBank and Clearwire could result in an injunction preventing the completion of the SoftBank Merger or the Clearwire Acquisition and the payment of damages in the event the SoftBank Merger or the Clearwire Acquisition are completed and may adversely affect New Sprint's business, financial condition or results of operations following the SoftBank Merger or the Clearwire Acquisition.

In connection with the SoftBank Merger and as of the date of this Form 10-K, purported stockholders of Sprint have filed several stockholder class action complaints against Sprint, its directors and the SoftBank Entities alleging, among other things, that the Sprint board of directors conducted an unfair sales process resulting in unfair consideration to the Sprint stockholders in the SoftBank Merger. The complaints assert that members of Sprint's board of directors breached their fiduciary duties in agreeing to the SoftBank Merger and in agreeing to the issuance of the convertible bond (Bond) pursuant to the Bond Purchase Agreement dated October 15, 2012 between Sprint and Parent, and that SoftBank aided and abetted these alleged breaches of fiduciary duties. The lawsuits seek to enjoin the SoftBank Merger and seek unspecified monetary damages.

On December 17, 2012, Sprint announced that it had agreed to acquire all of the equity interests of Clearwire Corporation (together with Clearwire Communications LLC, “Clearwire”) not currently owned by Sprint (Clearwire Acquisition), subject to the terms and conditions of the agreement and plan of merger, dated as of December 17, 2012, by and among Sprint, Clearwire Corporation and Collie Acquisition Corp. (Clearwire Acquisition Agreement). In connection with the Clearwire Acquisition and as of the date of this Form 10-K,

purported stockholders of Clearwire have filed several stockholder class action complaints against Clearwire, its directors and Sprint, alleging, among other things, that the Clearwire board of directors conducted an unfair sales process resulting in an unfair consideration to the Clearwire stockholders in the Clearwire Acquisition. The complaints assert that members of Clearwire's board of directors breached their fiduciary duties in agreeing to the Clearwire Acquisition and some of the complaints assert that Sprint breached fiduciary duties owed to Clearwire's non-Sprint stockholders. The lawsuits seek to enjoin the Clearwire Acquisition and seek unspecified monetary damages, and one lawsuit seeks to enjoin the SoftBank Merger. If the Clearwire Acquisition is consummated, Sprint will assume Clearwire's potential liability under these lawsuits, including the obligation to defend the lawsuits and indemnification obligations with respect to former Clearwire directors.

These actions could prevent or delay the completion of the SoftBank Merger or the Clearwire Acquisition, divert management attention from operating Sprint's businesses and result in substantial costs to Sprint and New Sprint, including any costs associated with indemnification of Sprint or Clearwire directors. The defense or settlement of any lawsuit or claim that remains unresolved at the time the SoftBank Merger or the Clearwire Acquisition is completed may be costly and adversely affect New Sprint's business, financial condition or results of operation.

The SoftBank Merger and the Clearwire Acquisition are subject to various closing conditions, and uncertainties related to the SoftBank Merger and the Clearwire Acquisition or the failure to complete the SoftBank Merger or the Clearwire Acquisition could negatively impact Sprint's business or share price.

The SoftBank Merger and the Clearwire Acquisition are subject to the satisfaction of a number of conditions beyond Sprint's control, and there is no assurance that the SoftBank Merger or the Clearwire Acquisition and the respective related transactions will occur on the terms and timeline currently contemplated or at all, or that the conditions to the SoftBank Merger or the Clearwire Acquisition will be satisfied or waived in a timely manner or at all. Any delay in completing the Clearwire Acquisition could cause Sprint not to realize, or delay the realization of, some or all of the benefits that Sprint expects to achieve from the SoftBank Merger and Clearwire Acquisition. In addition, the efforts to satisfy the closing conditions of the SoftBank Merger and the Clearwire Acquisition, including the regulatory approval process, may place a significant burden on Sprint's management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the SoftBank Merger process could adversely affect Sprint's business, results of operations and financial condition.

The Merger Agreement with SoftBank limits Sprint's ability to pursue alternatives to the SoftBank Merger. These restrictions may prevent Sprint from pursuing attractive business opportunities and making other changes to its business prior to the effective time of the SoftBank Merger or termination of the Merger Agreement, and if the SoftBank Merger is not consummated, Sprint may not be able to fund its capital needs from external resources on terms acceptable to it or without modifying its business plan. Sprint could also be subject to litigation related to any failure to complete the SoftBank Merger.

Uncertainty about the completion and effect of the SoftBank Merger or the Clearwire Acquisition on Sprint, Clearwire or their respective employees or customers may have an adverse effect on Sprint's share price and business, including as a result of attempts by other communications providers to persuade Sprint's customers to change service providers, which could increase the rate of Sprint's subscriber churn and have a negative impact on Sprint's subscriber growth, revenue and results of operations. These uncertainties may also impair Sprint's ability to preserve employee morale and attract, retain and motivate key employees until the SoftBank Merger is completed. If key employees depart because of uncertainty about their future roles and the potential complexities of the SoftBank Merger or a desire not to remain with the business after the completion of the SoftBank Merger, Sprint's business could be harmed.

If the proposed SoftBank Merger or the Clearwire Acquisition is not completed, the share price of Sprint's common stock may decline to the extent that the current market price of Sprint common stock reflects an assumption that the SoftBank Merger, the Clearwire Acquisition and the respective related transactions will be completed. In addition, upon termination of the Merger Agreement, under specified circumstances (including in connection with a superior offer), Sprint may be required to pay a termination fee of $600 million. Also, if the Merger Agreement is terminated because Sprint stockholders do not approve the SoftBank Merger, subject to the provisions of the Merger Agreement, then Sprint may be required to reimburse SoftBank for its fees and expenses incurred in connection with the Merger Agreement up to $75 million. See “-The Merger Agreement contains

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provisions that could affect the decisions of a third party considering making an alternative acquisition proposal to the SoftBank Merger." Further, upon termination of the Clearwire Acquisition Agreement, under specified circumstances, Sprint may be required to pay a termination fee of $120 million (payable in cancellation of indebtedness), and under certain circumstances, Clearwire may also be entitled to receive from Sprint a supplemental prepayment for LTE services on January 15, 2014 in the amount of $100 million (conditioned upon the completion of site build-out targets pursuant to a commercial agreement currently in effect between Sprint and Clearwire and credited against certain of Sprint's obligations under such agreement).

Further, a failed or significantly delayed SoftBank Merger or Clearwire Acquisition may result in negative publicity and a negative impression of Sprint in the investment community. Any disruptions to Sprint's business resulting from the announcement and pendency of the SoftBank Merger or the Clearwire Acquisition and from intensifying competition from its competitors, including any adverse changes in its relationships with its customers, vendors, suppliers and employees or recruiting and retention efforts, could continue or accelerate in the event of a failed transaction. In addition, Sprint will not have the right to a termination fee from Clearwire if the Clearwire Acquisition Agreement is terminated, regardless of the actual amount of Sprint's damages or costs incurred in connection with the Clearwire Acquisition. There can be no assurance that Sprint's business, these relationships or its financial condition will not be negatively impacted, as compared to the condition prior to the announcement of the SoftBank Merger, if the SoftBank Merger or the Clearwire Acquisition are not consummated.

If SoftBank's financing for the SoftBank Merger is not funded, the SoftBank Merger may not be completed. In the event of a financing failure, and the termination of the Merger Agreement under certain circumstances, Sprint's remedies are limited to receipt of the $600 million reverse termination fee, which may not reflect the actual damages incurred by Sprint if the SoftBank Merger is not completed.

SoftBank intends to fund the cash required in connection with the SoftBank Merger and related transactions largely with debt financing. On December 18, 2012, SoftBank entered into a credit agreement with its lenders for the debt financing for the SoftBank Merger. To the extent one or more of the lenders is unwilling to, or unable to, fund its portion of the debt financing commitments under the credit agreement, the other lenders are not obligated to assume the unfunded commitments and SoftBank may be required to seek alternative financing or fund such portion of the commitments itself. The lenders' debt financing commitments are subject to the satisfaction of various conditions, including conditions relating to any of Sprint's outstanding indebtedness that may become payable as a result of the SoftBank Merger, the satisfaction or waiver of the conditions to the SoftBank Merger, the execution of satisfactory documentation and other customary closing conditions, among others. The lenders' commitments to provide the debt financing under the credit agreement expire on November 18, 2013.

Under the Merger Agreement, SoftBank is obligated to use its reasonable best efforts (i) to obtain the debt financing on the terms set forth in the debt commitment letters that its lenders executed in connection with the debt financing and upon which the credit agreement is based and (ii) in the event the debt financing is not available, to obtain alternative financing on financial terms no more favorable to SoftBank and subject to conditions not less favorable to SoftBank. In the event that all or any portion of the debt financing is not available under the credit agreement, financing alternatives may not be available on acceptable terms, in a timely manner or at all. If SoftBank is unable to obtain the funding from its lenders, or any alternative financing, the completion of the SoftBank Merger may be jeopardized.

Under certain circumstances, Sprint may seek to require SoftBank to issue a borrowing certificate, borrowing notice or similar document pursuant to the SoftBank debt financing documents in order to permit the SoftBank Merger closing to occur. Sprint will have the right to terminate the Merger Agreement and SoftBank will be required to pay Sprint a $600 million reverse termination fee if (a) the SoftBank Merger is not consummated within 11 business days following Sprint's notice to SoftBank that all conditions to closing have been satisfied or (b) during the 30 business day period beginning on April 15, 2013, the credit agreement has been terminated and SoftBank is not party to an alternative debt commitment letter or definitive financing documents which, in either case, provide for debt financing to be available from April 15, 2013 until October 15, 2013. SoftBank will also be required to pay a reverse termination fee if the Merger Agreement is terminated at the end date or by Sprint due to a breach by SoftBank and, at the time of such termination, all of the closing conditions are satisfied (other than delivery of the parties' closing certificates) and there was an uncured financing failure. If the Merger Agreement is terminated under any circumstance that entitles Sprint to receive the reverse termination fee, the right to receive the reverse termination fee is Sprint's only remedy and Sprint cannot otherwise seek damages from SoftBank for the

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failure of the SoftBank Merger to be completed or for any other matter, regardless of the actual amount of Sprint's damages.

The SoftBank Merger and the Clearwire Acquisition are subject to the receipt of consents and clearances from domestic and foreign regulatory authorities that may impose measures to protect national security and classified projects or other conditions that, if not obtained, could prevent completion of the SoftBank Merger or the Clearwire Acquisition.

While the Antitrust Division of the Department of Justice and the Federal Trade Commission granted early termination of the waiting period under the Hart-Scott-Rodino Act on December 6, 2012, with respect to the SoftBank Merger, before the SoftBank Merger or the Clearwire Acquisition may be completed, applicable waiting periods must expire or terminate under all other applicable antirust and competition laws, and various approvals or consents must be obtained from other regulatory entities. In deciding whether to grant antitrust or regulatory clearances, the relevant governmental entities will consider the effect of the SoftBank Merger and the Clearwire Acquisition on competition within their relevant jurisdiction. Due to the substantial foreign ownership of New Sprint shares following the SoftBank Merger, each of the FCC, Defense Security Service and Committee on Foreign Investment in the United States may take measures and impose conditions to protect national security and classified projects. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions, or that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the SoftBank Merger or the Clearwire Acquisition. In addition, Sprint cannot provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the SoftBank Merger or the Clearwire Acquisition.

The SoftBank Merger will result in an ownership change for Sprint under Section 382 of the Internal Revenue Code (Code), potentially limiting Sprint's use of net operating loss carryforwards, referred to as NOLs, tax credits and other tax attributes to offset future taxable income or tax liabilities.

Sprint has substantial NOLs, tax credits and other tax attributes for U.S. federal and state income tax purposes. The utilization of Sprint's NOLs, tax credits and other tax attributes following the SoftBank Merger depends on the timing and amount of taxable income earned by Sprint in the future, which Sprint is not able to predict. Moreover, the SoftBank Merger will result in an ownership change for Sprint under Section 382 of the Code, potentially limiting the use of Sprint's NOLs to offset future taxable income for both U.S. federal and state income tax purposes. Section 383 of the Code applies a similar limitation to capital loss and certain tax credit carryforwards of a corporation which experiences such an ownership change. These limitations may affect the timing of when these NOLs, tax credits and other tax attributes may be used which, in turn, may impact the timing and amount of cash taxes payable by Sprint. These tax attributes are generally subject to expiration at various times in the future to the extent that they have not previously been applied to offset the taxable income or tax liabilities of Sprint.

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

Sprint competes with a number of other wireless service providers in each of the markets in which Sprint provides wireless services, and Sprint expects competition may increase if additional spectrum is made available for commercial wireless services and as new technologies are developed and launched. As smartphone penetration increases, Sprint continues to expect an increased usage of data on Sprint's network. Competition in pricing and service and product offerings may also adversely impact subscriber retention and Sprint's ability to attract new subscribers, with adverse effects on Sprint's results of operations. A decline in the average revenue per subscriber coupled with a decline in the number of subscribers would negatively impact Sprint's revenues, future cash flows, growth and overall profitability, which, in turn, could impact Sprint's ability to meet Sprint's 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 Sprint's wireless services and the prices that Sprint will be able to charge for these services. Spending by Sprint's competitors on new wireless services and network improvements could enable its competitors to obtain a competitive advantage with new technologies or enhancements that Sprint does not offer. Rapid change in technology may lead to the development of wireless

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communications technologies, products or alternative services that are superior to Sprint's technologies, products, or services or that consumers prefer over Sprint's. If Sprint is unable to meet future advances in competing technologies on a timely basis, or at an acceptable cost, Sprint may not be able to compete effectively and could lose subscribers to its competitors.

Some competitors and new entrants may be able to offer subscribers network features or products and services not offered by Sprint, coverage in areas not served by Sprint's wireless networks or pricing plans that are lower than those offered by Sprint, all of which would negatively affect Sprint's average revenue per subscriber, subscriber churn, ability to attract new subscribers, and operating costs.

The success of Sprint's network modernization plan, Network Vision, will depend on the timing, extent and cost of implementation; the performance of third-parties and related parties; upgrade requirements; and the availability and reliability of the various technologies required to provide such modernization.

Sprint must continually invest in its wireless network in order to continually improve its wireless service to meet the increasing demand for usage of Sprint's data and other non-voice services and remain competitive.

Improvements in Sprint's service depend on many factors, including continued access to and deployment of adequate spectrum. Sprint must maintain and expand its network capacity and coverage as well as the associated wireline network needed to transport voice and data between cell sites. If Sprint is unable to obtain access to additional spectrum to increase capacity or to deploy the services subscribers desire on a timely basis or at acceptable costs while maintaining network quality levels, Sprint's ability to retain and attract subscribers could be materially adversely affected, which would negatively impact its operating margins.

Sprint is implementing Network Vision, which is a multi-year infrastructure initiative intended to reduce operating costs and provide subscribers with an enhanced network experience by improving voice quality, coverage and data speeds, while enhancing network flexibility and improving environmental sustainability. The focus of the plan is on upgrading the existing Sprint platform and providing flexibility for new 4G technologies, including LTE. If Network Vision does not provide a competitive LTE network, an enhanced network experience, Sprint's ability to provide enhanced wireless services to its subscribers, to retain and attract subscribers, and to maintain and grow its subscriber revenues could be adversely affected.

Using a new and sophisticated technology on a very large scale entails risks. For example, deployment of new technology, including LTE, may adversely affect the performance of existing services on Sprint's networks and result in increased churn. Should implementation of Sprint's upgraded network be delayed or costs exceed expected amounts, its margins could be adversely affected and such effects could be material. Should the delivery of services expected to be deployed on Sprint's upgraded network be delayed due to technological constraints, performance of third-party suppliers, zoning and leasing restrictions or permit issues, or other reasons, the cost of providing such services could become higher than expected, which could result in higher costs to customers, potentially resulting in decisions to purchase services from Sprint's competitors which would adversely affect Sprint's revenues, profitability and cash flow from operations.

Sprint is migrating existing Nextel platform subscribers to other offerings on the Sprint platform, including existing or future offerings on Sprint's multi-mode network, such as Sprint Direct Connect. The successful deployment and market acceptance of Network Vision has resulted in and is expected to continue to result in incremental charges during the period of implementation including, but not limited to, an increase in depreciation and amortization associated with existing assets, due to changes in Sprint's estimates of the remaining useful lives of long-lived assets, and the expected timing of asset retirement obligations. Sprint's ability to transition subscribers from the Nextel platform to offerings on the Sprint platform is dependent, in part, upon the success of Sprint Direct Connect and subscriber satisfaction with this technology.

Failure to complete development, testing and deployment of new technology that supports new services, including LTE, could affect Sprint's 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 Sprint currently uses, including WiMAX, may place it at a competitive disadvantage.

Sprint develops, tests and deploys various new technologies and support systems intended to enhance Sprint's 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 or devices in a timely manner. Sprint may not

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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 Sprint's subscribers or may not be profitable, in which case Sprint could not recover its investment in the technology. Deployment of technology supporting new service offerings may also adversely affect the performance or reliability of Sprint's 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 Sprint's ability to retain subscribers and have an adverse effect on its results of operations and growth prospects.

Sprint has expended significant resources and made substantial investments to deploy a 4G mobile broadband network through its equity method investment in Clearwire using WiMAX technology. As part of Network Vision, Sprint expects to continue to support WiMAX devices, as it fully transitions to LTE. The failure to successfully design, build and deploy Sprint's LTE network, or a loss of or inability to access Clearwire's spectrum could increase subscriber losses, increase Sprint's costs of providing services or increase Sprint's churn. Other competing technologies may have advantages over Sprint's current or planned technology and operators of other networks based on those competing technologies may be able to deploy these alternative technologies at a lower cost and more quickly than the cost and speed with which Clearwire provides 4G MVNO services to Sprint or with which it deploys Sprint's LTE network, which may allow those operators to compete more effectively or may require Sprint and Clearwire to deploy additional technologies. See "-Risks Relating to Clearwire" below for additional risks related to Clearwire.

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

Sprint may incur additional debt in the future for a variety of reasons, such as refinancing, Network Vision and working capital needs, including equipment net subsidies, future investments or acquisitions. Sprint's ability to arrange additional financing will depend on, among other factors, current economic and market conditions, its financial performance, its high debt levels, and its debt ratings. Some of these factors are beyond Sprint's control, and Sprint may not be able to arrange additional financing on terms acceptable to it or at all. Failure to obtain suitable financing when needed could, among other things, result in Sprint's inability to continue to expand its businesses and meet competitive challenges, including implementation of Network Vision on Sprint's current timeline.

The continued instability in the global financial markets has resulted in periodic volatility in the credit, equity and fixed income markets. This volatility could limit Sprint's access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are acceptable to it, or at all.

Sprint has incurred substantial amounts of indebtedness to finance operations and other general corporate purposes. At December 31, 2012, Sprint's total debt was approximately $24.3 billion. As a result, Sprint is highly leveraged and will continue to be highly leveraged. Accordingly, Sprint's debt service requirements are significant in relation to its revenues and cash flow. This leverage exposes it to risk in the event of downturns in Sprint's businesses (whether through competitive pressures or otherwise), in its industry or in the economy generally, and may impair Sprint's operating flexibility and its ability to compete effectively, particularly with respect to competitors that are less leveraged.

The debt ratings for Sprint's outstanding notes are currently below the "investment grade" category, which results in higher borrowing costs than investment grade debt as well as reduced marketability of Sprint's debt. Sprint's debt ratings could be further downgraded for various reasons, including if it incurs significant additional indebtedness including indebtedness relating to any required change of control offer, or if it does not generate sufficient cash from its operations, which would likely increase Sprint's future borrowing costs and could adversely affect Sprint's ability to obtain additional capital.

Sprint's new $2.8 billion unsecured revolving credit facility, which expires in February 2018, requires that the ratio (Leverage Ratio) of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and other non-recurring items, as defined by the credit facility (adjusted EBITDA), not exceed 6.25 to 1.0 through June 30, 2014. Subsequent to June 30, 2014 the Leverage Ratio declines on a scheduled basis, as determined by the credit agreement, until the ratio becomes fixed at 4.0 to 1.0 for the fiscal quarter ended December 31, 2016 and each fiscal quarter ending thereafter. If Sprint does not continue to satisfy this required ratio, it will be in default under its new revolving credit facility, which would trigger defaults under Sprint's

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other debt obligations, which in turn could result in the maturities of certain debt obligations being accelerated. Additionally, although we expect to remain in compliance with the covenants under our new revolving credit and secured equipment credit facilities through the next twelve months, our Leverage Ratio under our unsecured loan agreement with Export Development Canada (EDC) is more restrictive. While we are currently in discussions with the lender under our EDC facility to amend such agreement to reflect the Leverage Ratio permitted under our revolving bank credit facility, there can be no assurance that Sprint can obtain such amendment. Further, if the Clearwire Acquisition is consummated, Sprint's consolidated debt would increase by approximately $4.3 billion (based on Clearwire's debt as of December 31, 2012, excluding short-term debt expected to be paid by June 30, 2013). In addition to the covenants in Sprint's new revolving credit facility, Sprint's EDC facility and Sprint's secured equipment credit facility, certain indentures governing Sprint's notes limit, among other things, Sprint's ability to incur additional debt, pay dividends, create liens and sell, transfer, lease or dispose of assets. Such restrictions could adversely affect Sprint's ability to access the capital markets or engage in certain transactions.

Although these restrictions do not limit Sprint's ability to engage in the SoftBank Merger, under the terms of Sprint's EDC facility and secured equipment credit facility, consummation of the SoftBank Merger would constitute a change of control that would enable the lenders thereunder to require repayment of all outstanding balances thereunder. If the lenders exercised their rights as a consequence of the change of control, amounts outstanding under the EDC facility and the secured equipment credit facility, which were approximately $796 million in the aggregate at December 31, 2012, would become due and payable at the time of closing. Sprint is currently in discussions with the existing lenders under the EDC and secured equipment facilities and intends to amend these facilities to, among other things, exclude the SoftBank Merger from the change of control provisions.

The trading price of Sprint's common stock has been and may continue to be volatile and may not reflect Sprint's actual operations and performance. We expect that these factors will affect New Sprint and the New Sprint common stock following the effective time of the SoftBank Merger.

Market and industry factors may seriously harm the market price of Sprint's common stock, regardless of Sprint's actual operations and performance. Stock price volatility and sustained decreases in Sprint's share price could subject its stockholders to losses or lead to action by the NYSE. The trading price of Sprint's common stock has been, and may continue to be, subject to fluctuations in price in response to various factors, some of which are beyond Sprint's control, including, but not limited to:

- uncertainty related to Sprint's proposed transactions with SoftBank and Clearwire;
- market speculation or announcements by Sprint regarding the entering into, or termination of, material transactions, including the SoftBank Merger and the Clearwire Acquisition;
- disruption to Sprint's operations or those of other companies critical to Sprint's network operations;
- the performance of SoftBank and SoftBank's ordinary shares or speculation about the possibility of future actions SoftBank may take in connection with New Sprint;
- quarterly announcements and variations in Sprint's results of operations or those of its competitors, either alone or in comparison to analysts' expectations or prior company estimates, including announcements of subscriber counts, rates of churn, and operating margins that would result in downward pressure on Sprint's stock price;
- seasonality or other variations in Sprint's subscriber base, including its rate of churn;
- the cost and availability or perceived availability of additional capital and market perceptions relating to Sprint's access to this capital;
- announcements by Sprint or its competitors of acquisitions, new products, technologies, significant contracts, commercial relationships or capital commitments;
- Sprint's ability to develop and market new and enhanced technologies, products and services on a timely and cost-effective basis, including implementation of Network Vision and Sprint's networks;
- recommendations by securities analysts or changes in their estimates concerning Sprint;
- the incurrence of additional debt, dilutive issuances of Sprint's stock, short sales or hedging of, and other derivative transactions, in its common stock;
- any significant change in Sprint's board of directors or management;
- litigation;

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- changes in governmental regulations or approvals; and
- perceptions of general market conditions in the technology and communications industries, the U.S. economy and global market conditions.

Consolidation and competition in the wholesale market for wireline services, as well as consolidation of Sprint's roaming partners and access providers used for wireless services, could adversely affect Sprint's revenues and profitability.

Sprint's Wireline segment competes with AT&T, Verizon Communications, CenturyLink, Level 3 Communications Inc., other major local incumbent operating companies, and cable operators, as well as a host of smaller competitors. 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 lower prices than Sprint can. 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 Sprint's revenues and profitability.

Sprint provides 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. 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 Communications continue to be Sprint's two largest competitors in the domestic long distance communications market. Sprint and other long distance carriers depend heavily on local access facilities obtained from ILECs to serve Sprint's long distance subscribers, and payments to ILECs for these facilities are a significant cost of service for Sprint's Wireline segment. The long distance operations of AT&T and Verizon Communications 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 ILECs.

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

The blurring of the traditional dividing lines among long distance, local, wireless, video and Internet services contributes to increased competition.

The traditional dividing lines among long distance, local, wireless, video and Internet services are increasingly becoming blurred. In addition, the dividing lines between voice and data are also becoming blurred. Through mergers, joint ventures and various service expansion strategies, major providers are striving to provide integrated services in many of the markets Sprint serves. This trend is also reflected in changes in the regulatory environment that have encouraged competition and the offering of integrated services. Sprint expects competition to intensify 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. Sprint cannot predict which of many possible future technologies, products, or services will be important to maintain Sprint's competitive position or what expenditures Sprint will be required to make in order to develop and provide these technologies, products or services. To the extent Sprint does not keep pace with technological advances or fails to timely respond to changes in the competitive environment affecting Sprint's industry, Sprint 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 Sprint's competitors, they may be able to offer services at lower prices than Sprint can, thereby adversely affecting Sprint's revenues, growth and profitability.

Subscriber dissatisfaction, including possible litigation, related to the Nextel Platform shut-down could have a material adverse effect on our results of operations.

Sprint is migrating existing Nextel platform subscribers to other offerings on the Sprint platform, including existing or future offerings on Sprint's multi-mode network, such as Sprint Direct Connect. Sprint's ability to maintain existing subscriber relationships depends significantly on the quality of our services, our reputation, and the continuity of service. Subscriber dissatisfaction with the shut-down of services on the Nextel platform or of alternative services or damage to our reputation as a result of the shut-down could result in a loss of subscribers or

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litigation that could cause our revenue to be reduced or our expenses to be increased resulting in a material adverse effect on our results of operations.

If Sprint is unable to improve Sprint's results of operations, it faces the possibility of charges for impairments of long-lived assets. Further, Sprint's future operating results will be impacted by Sprint's share of Clearwire's net loss as well as the potential Clearwire Acquisition, which will likely negatively affect Sprint's results of operations for a period of time subsequent to the Clearwire Acquisition. The carrying value of Sprint's current investment in Clearwire may be subject to further impairment if the Clearwire Acquisition does not close.

Sprint reviews its long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. If Sprint continues to have operational challenges, including obtaining and retaining subscribers, Sprint's future cash flows may not be sufficient to recover the carrying value of Sprint's long-lived assets, and Sprint could record asset impairments that are material to Sprint's consolidated results of operations and financial condition. If Sprint continues to have challenges retaining subscribers and as it assesses the deployment of Network Vision, management may conclude, in future periods, that certain equipment assets will never be either deployed or redeployed, in which case additional cash and/or non-cash charges that could be material to Sprint's consolidated financial statements would be recognized.

Sprint accounts for Sprint's current investment in Clearwire using the equity method of accounting and, as a result, it records its share of Clearwire's net income or net loss, which could adversely affect Sprint's consolidated results of operations. Clearwire reported that it will need substantial additional capital over the intermediate and long-term. Clearwire's ability, however, to raise sufficient additional capital on acceptable terms, or at all, will remain uncertain if the proposed Clearwire Acquisition does not close. In addition, Clearwire reported that if it fails to obtain additional capital, its business prospects, financial condition and results of operations will likely be materially and adversely affected, and it will be forced to consider all available alternatives. Declines in the estimated fair value of Clearwire resulting from potential declines in its stock price as a result of failure to close the Clearwire Acquisition may require Sprint to reevaluate the decline in relation to the carrying value of its current investment in Clearwire. A conclusion by Sprint that additional declines in the value of Clearwire are other than temporary could result in an additional impairment, which could be material.

Each of Sprint and Clearwire has entered into agreements with unrelated parties for certain business operations. Any difficulties experienced by Sprint or, to the extent the Clearwire Acquisition is consummated, Clearwire in these arrangements could result in additional expense, loss of subscribers and revenue, interruption of Sprint's services or a delay in the roll-out of new technology.

Sprint has entered into agreements with unrelated parties for the day-to-day execution of services, provisioning and maintenance for Sprint's wireless and wireline networks, for the implementation of Network Vision, and for the development and maintenance of certain software systems necessary for the operation of Sprint's business. Clearwire has also entered into similar arrangements relating to its wireless networks. Sprint also has agreements with unrelated parties to provide customer service and related support to its wireless subscribers and outsourced aspects of Sprint's wireline network and back office functions to unrelated parties. In addition, Sprint has sublease agreements with unrelated parties for space on communications towers. As a result, Sprint must rely on unrelated parties to perform certain of its operations and, in certain circumstances, interface with Sprint's subscribers. If these unrelated parties were unable to perform to Sprint's or, to the extent the Clearwire Acquisition is consummated, Clearwire's requirements, Sprint 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 Sprint and its suppliers and service providers may infringe on intellectual property rights owned by others.

Some of Sprint's products and services use intellectual property that Sprint owns. Sprint also purchases products from suppliers, including device suppliers, and outsources services to service providers, including billing and customer care functions, that incorporate or utilize intellectual property. Sprint and some of its 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 Sprint or its suppliers and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require Sprint or an infringing supplier or service provider to cease certain activities or to cease selling the relevant products and services. These claims can be time-consuming and costly to defend, and divert management resources. If these claims are successful, Sprint could

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be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks, which could have an adverse effect on Sprint's results of operations.

Government regulation could adversely affect Sprint's prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect Sprint's 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 Sprint's business and could adopt regulations or take other actions that would adversely affect Sprint's 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 Sprint's licenses will be renewed. Failure to comply with FCC requirements applicable to a given license could result in revocation of that license and, depending on the nature of the non-compliance, other Sprint licenses.

Depending on their outcome, the FCC's proceedings regarding regulation of special access rates could affect the rates paid by Sprint's 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 and a pending appeal of the FCC's 2011 order reforming universal service for high cost area and intercarrier compensation could affect the intercarrier compensation rates and the level of USF contributions paid by Sprint.

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 Sprint's wireless operations.

Degradation in network performance caused by compliance with government regulation, such as “net neutrality,” 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 Sprint's revenues and results of operations. Furthermore, additional costs or fees imposed by governmental regulation could adversely affect Sprint's revenues, future growth and results of operations.

Regulatory developments regarding the use of “conflict” minerals mined from the Democratic Republic of Congo and adjoining countries could affect the sourcing and availability of minerals used in the manufacture of certain products, including handsets. Although Sprint does not purchase raw materials, manufacture, or produce any electronic equipment directly, the regulation may affect some of Sprint's suppliers. As a result, there may only be a limited pool of suppliers who provide conflict free metals, and Sprint cannot ensure that it will be able to obtain products in sufficient quantities or at competitive prices. Also, because Sprint's supply chain is complex, it may face reputational challenges with its customers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in the products that Sprint sells.

Changes to the federal Lifeline Assistance Program could negatively impact the growth of the Assurance Wireless and wholesale subscriber base and the profitability of the Assurance Wireless and wholesale business overall.

Virgin Mobile USA, L.P., Sprint's wholly-owned subsidiary, offers service to low-income subscribers eligible for the federal Lifeline Assistance program under the brand Assurance Wireless, which we refer to as Assurance Wireless. Assurance Wireless provides a monthly discount to eligible subscribers in the form of a free block of minutes. Moreover, some of Sprint's wholesale customers also offer service to subscribers eligible for the federal Lifeline Assistance program. This discount is subsidized by the Low-Income Program of the federal USF and administered by the Universal Service Administrative Company. Lifeline service is offered by both wireline and wireless companies, but more recent wireless entry, particularly by prepaid carriers with a focus on lower income consumers, has caused a rapid increase in the amount of USF support directed toward the Lifeline program. The FCC recently adopted reforms to the Low Income program to increase program effectiveness and efficiencies, including a limit of one subsidized service per household. More stringent eligibility and certification requirements will make it more difficult for all Lifeline service providers to sign up and retain Lifeline subscribers. The growth in the Lifeline program has caused some regulators and legislators to question the structure of the current program and the FCC is continuing to review the growth of the program. Changes in the Lifeline program as a result of the ongoing FCC proceeding or other legislation has and would continue to negatively impact growth in the Assurance Wireless and wholesale subscriber base and/or the profitability of the Assurance Wireless and wholesale business overall.

If Sprint's business partners and subscribers fail to meet their contractual obligations it could negatively affect Sprint's results of operations.

The current economic environment has made it difficult for businesses and consumers to obtain credit, which could cause Sprint's suppliers, distributors and subscribers to have problems meeting their contractual obligations with Sprint. If Sprint's suppliers are unable to fulfill its orders or meet their contractual obligations with Sprint, Sprint may not have the services or devices available to meet the needs of its current and future subscribers, which could cause it to lose current and potential subscribers to other carriers. In addition, if Sprint's distributors are unable to stay in business, it could lose distribution points, which could negatively affect Sprint's business and results of operations. If Sprint's 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 Sprint's services, which could negatively affect Sprint's results of operations.

Sprint's reputation and business may be harmed and it may be subject to legal claims if there is loss, disclosure or misappropriation of or access to Sprint's subscribers' or Sprint's own information or other breaches of Sprint's information security.

Sprint makes extensive use of online services and centralized data processing, including through third-party service providers. The secure maintenance and transmission of customer information is an important element of Sprint's operations. Sprint's information technology and other systems that maintain and transmit customer information, or those of service providers, may be compromised by a malicious third-party penetration of Sprint's network security, or that of a third-party service provider, or impacted by advertent or inadvertent actions or inactions by Sprint's employees, or those of a third-party service provider. As a result, Sprint's subscribers' information may be lost, disclosed, accessed or taken without the subscribers' consent.

In addition, Sprint and third-party service providers process and maintain its proprietary business information and data related to its business-to-business customers or suppliers. Sprint's information technology and other systems that maintain and transmit this information, or those of service providers, may also be compromised by a malicious third-party penetration of Sprint's network security or that of a third-party service provider, or impacted by intentional or inadvertent actions or inactions by Sprint's employees or those of a third-party service provider. As a result, Sprint's business information, or subscriber or supplier data may be lost, disclosed, accessed or taken without consent.

Any major compromise of our data or network security, failure to prevent or mitigate the loss of our services or any customer information and delays in detecting any such compromise or loss could disrupt our operations, damage our reputation and subscribers' willingness to purchase our service and subject us to additional costs and liabilities, including litigation, which could be material.

Any potential future acquisitions, strategic investments or mergers may subject us to significant risks, any of which may harm our business.

Our long-term strategy may include identifying and acquiring, investing in or merging with suitable candidates on acceptable terms. In particular, over time, we may acquire, make investments in, or merge with companies that complement our business. Acquisitions would involve a number of risks and present financial, managerial and operational challenges, including:

- diversion of management attention from running our existing business;
- possible material weaknesses in internal control over financial reporting;
- increased expenses including legal, administrative and compensation expenses related to newly hired employees;

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- increased costs to integrate the technology, personnel, customer base and business practices of the acquired company with our own;
- potential exposure to material liabilities not discovered in the due diligence process;
- potential adverse effects on our reported operating results due to possible write-down of goodwill and other intangible assets associated with acquisitions;
- acquisition financing may not be available on reasonable terms or at all; and
- any acquired business, technology, service or product may significantly under-perform relative to our expectations, and we may not achieve the benefits we expect from our acquisitions.

For any or all of these reasons, our pursuit of an acquisition, investment or merger may cause our actual results to differ materially from those anticipated.

Sprint's business could be negatively impacted by threats and other disruptions.

Major equipment failures, natural disasters, including severe weather, terrorist acts or other breaches of network or information technology security that affect Sprint's 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 Sprint relies, could have a material adverse effect on Sprint's operations.

These events could disrupt Sprint's operations, require significant resources, result in a loss of subscribers or impair Sprint's ability to attract new subscribers, which in turn could have a material adverse effect on Sprint's business, results of operations and financial condition.

Concerns about health risks associated with wireless equipment may reduce the demand for Sprint's services.

Portable communications devices have been alleged to have adverse health effects, due to radio frequency emissions from these devices. The actual or perceived risk of using mobile communications devices could adversely affect Sprint through a reduction in subscribers or reduced financing available to the mobile communications industry. Although the FDA and FCC have both noted that the weight of the scientific evidence does not link cell phone use to cancer or any health problems, further research and studies are ongoing; Sprint has no reason to expect those studies to reach a different conclusion, but it cannot guarantee that additional studies will not demonstrate a link between radio frequency emissions and health concerns.

Risks Relating to Clearwire

Sprint is currently a major equityholder of Clearwire, and on December 17, 2012, Sprint announced that it had agreed to acquire all of the equity interests of Clearwire Corporation not currently owned by Sprint subject to the terms and conditions of the Clearwire Acquisition Agreement. The following are certain additional risks that relate to the Clearwire Acquisition, Sprint's existing investment in Clearwire and the business and operations of Clearwire. If the Clearwire Acquisition and the SoftBank Merger are consummated, Clearwire will be an indirect wholly owned subsidiary of New Sprint, and therefore, certain risks that relate to Clearwire will also relate to New Sprint. 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, 2012, and the notice to holders of Clearwire common stock and an accompanying proxy statement to be filed by Clearwire with the SEC, a preliminary form of which was filed by Clearwire with the SEC on February 1, 2013. The contents of Clearwire's SEC filings are expressly not incorporated by reference into this annual report on Form 10-K.

Clearwire currently could be, and if the Clearwire Acquisition is consummated, Clearwire would be, considered a subsidiary and affiliate under certain of Sprint's agreements relating to its indebtedness and could cross-default Sprint's debt.

If the Clearwire Acquisition is consummated, Sprint will own all of the outstanding equity interests in Clearwire. As a result, Clearwire would be considered a subsidiary under certain agreements relating to Sprint's indebtedness, and therefore certain actions or defaults by Clearwire could potentially result in a breach by Sprint of covenants and cross-default provisions under certain agreements relating to its indebtedness, which could have a material adverse effect on Sprint's business, financial condition, liquidity and results of operations, including as a result of cross-defaults of Sprint's other debt facilities in connection with any acceleration of such indebtedness. Additionally, pursuant to certain of its debt agreements, Sprint would be subject to covenants relating to the

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maintenance of property and payment of taxes of Clearwire. As an affiliate of Sprint, transactions involving Sprint and Clearwire would be subject to certain related party transaction and asset sale restrictions under certain of Sprint's credit agreements and Clearwire's agreements, which could restrict integration efforts. Further, while Clearwire is currently not permitted to guarantee Sprint's indebtedness under Clearwire's agreements now in effect, as a subsidiary of Sprint, Clearwire will be required to guarantee certain Sprint indebtedness if permitted under such agreements.
In addition, on December 11, 2012, Sprint purchased all of Eagle River's equity interest in Clearwire, causing Sprint's economic and voting interest in Clearwire to exceed 50%. As a result of this acquisition, certain of the above referenced provisions, including the cross-default, relating to Clearwire as a subsidiary and affiliate of Sprint may already be applicable to Sprint and Clearwire regardless of whether the Clearwire Acquisition is consummated (provided that Clearwire would not be considered a subsidiary of Sprint under certain Sprint debt agreements or be required to guarantee Sprint's indebtedness unless, among other things, it became a wholly owned subsidiary of Sprint).
Additional review by regulatory agencies of the SoftBank Merger, together with the proposed Clearwire Acquisition, could result in delays in the regulatory approvals needed to close the SoftBank Merger.
Sprint and SoftBank, and Sprint and Clearwire, have made various filings and taken other actions, and will continue to take actions, necessary to obtain governmental approvals in connection with the SoftBank Merger and the Clearwire Acquisition, respectively, and related transactions. Several governmental agencies may elect to review the Clearwire Acquisition together with the SoftBank Merger, which could have the effect of delaying approval for, and closing of, the SoftBank Merger. While Sprint and SoftBank believe that required regulatory approvals for both the SoftBank Merger and the Clearwire Acquisition will ultimately be obtained, these approvals are not assured.
Continued investment by Sprint in Clearwire exposes Sprint to risks because Sprint does not currently control the board, determine the strategies, manage operations or control management, including decisions relating to the operation and build-out of its 4G networks, and the value of Sprint's investment in Clearwire or Sprint's financial performance may be adversely affected by decisions made by Clearwire or other large investors in Clearwire that are adverse to Sprint's interests.
Sprint has historically been exposed to risk with respect to control and management of Clearwire, and this risk will continue during the period prior to the closing of the Clearwire Acquisition and longer if the Clearwire Acquisition does not close. While Sprint has the right to appoint up to seven of Clearwire's 13 directors, Sprint does not currently control Clearwire's board, nor does it manage the operations of Clearwire or control management. Clearwire has a group of investors that are represented on Clearwire's board of directors. These investors may have interests that diverge from Sprint's 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 such delay or failure to agree with respect to the operation of Clearwire could have a material adverse effect on the value of Sprint's investment in Clearwire or, because some of Sprint's subscribers use Clearwire's 4G network, Sprint's business, financial condition, results of operations or cash flows.
In addition, the corporate opportunity provisions in Clearwire's 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 stockholders to benefit from opportunities that may otherwise be available to Clearwire, which could adversely affect Clearwire's business and Sprint's investment in Clearwire.
Clearwire's certificate of incorporation also expressly provides that certain stockholders 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 stockholders 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 Sprint's investment in Clearwire.
Moreover, although as part of Network Vision Sprint has launched Sprint's own LTE network in limited markets, Sprint currently relies on Clearwire to operate its WiMAX 4G network. In addition, Clearwire has

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announced its intention to build a 4G LTE network. Clearwire's success could be affected by, among other things, its deployment of new technology, ability to offer a competitive cost structure and its ability to obtain additional financing in the amounts and on terms that enable it to continue to operate its 4G network. Clearwire's failure to operate or upgrade its 4G network may negatively affect Sprint's ability to generate future revenues, cash flows or overall profitability from 4G services. See "—Failure to complete development, testing and deployment of new technology that supports new services, including LTE, could affect Sprint's 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 Sprint currently uses, including WiMAX, may place Sprint at a competitive disadvantage."

If Clearwire fails to obtain additional capital on commercially reasonable terms, or at all, its business prospects, financial condition and results of operations will likely be materially and adversely affected, and it has stated that it will be forced to consider all available alternatives. In addition, Clearwire has indicated that due to its current funding constraints, it may not be able to maintain or make improvements necessary to add capacity to its 4G network. If Clearwire is unable to add significant subscriber capacity, or maintain the quality and operations of its 4G network, Sprint could experience subscriber dissatisfaction or loss, which would have a material adverse effect on Sprint's revenues, profitability and cash flow from operations. Moreover, Sprint currently accesses Clearwire's spectrum through an MVNO agreement, which if breached or terminated could affect Sprint's ability to access Clearwire spectrum.

In connection with the Clearwire Acquisition, Clearwire and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be convertible under certain conditions to Clearwire common stock at $1.50 per share, subject to adjustment, as defined. Under the financing agreements, Sprint has agreed to purchase up to $80 million of exchangeable notes per month for up to ten months beginning in January 2013, subject to certain funding conditions including conditions relating to a network build-out agreement and the consummation of the proposed Clearwire Acquisition.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

If the Clearwire Acquisition is consummated, and Sprint does not maintain rights to use Clearwire's leased spectrum in one or more markets, Sprint may be unable to execute its business strategy as planned.

To offer services using licensed spectrum, Clearwire depends in part on its ability to maintain sufficient rights to use spectrum through leases in markets in which it operates or intends to operate. Using Clearwire's leased spectrum would pose additional risks to us, including:

- refusal by the FCC to recognize Clearwire's lease of spectrum licenses from others or its investments in other license holders;
- inability to control leased spectrum due to contractual disputes with, or the bankruptcy or other reorganization of, the license holders, or third parties; and
- failure to obtain extensions or renewals of spectrum leases, or an inability to renegotiate such leases, on terms acceptable to us before they expire, which may result in the loss of spectrum we need to operate our network in the market covered by the spectrum leases.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Our corporate headquarters are located in Overland Park, Kansas and consist of about 3,853,000 square feet. Our gross property, plant and equipment at December 31, 2012 totaled $47.9 billion, as follows:

	2012 (in billions)
Wireless	$40.8
Wireline	4.7
Corporate and other	2.4
Total	$47.9

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.

Item 3. Legal Proceedings

On January 6, 2011, the U.S. District Court for the District of Kansas denied our motion to dismiss a shareholder lawsuit, Bennett v. Sprint Nextel Corp., that alleges that the Company and three of our former officers violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 by failing adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The complaint was originally filed in March 2009 and is brought on behalf of alleged purchasers of company stock from October 26, 2006 to February 27, 2008. Our motion to certify the January 6, 2011 order for an interlocutory (or interim) appeal was denied, and discovery has begun. The plaintiff moved to certify a class of bond holders as well as owners of common stock, and we have opposed that motion. We believe the complaint is without merit and intend to defend the matter vigorously. We do not expect the resolution of this matter to have a material adverse effect on our financial position or results of operations.

Five related shareholder derivative suits were filed against the Company and certain of our present and/or former officers and directors. The first, Murphy v. Forsee, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the Bennett case; the second, Randolph v. Forsee, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, Ross-Williams v. Bennett, et al., was filed in state court in Kansas on February 1, 2011; the fourth, Price v. Forsee, et al., was filed in state court in Kansas on April 15, 2011; and the fifth, Hartleib v. Forsee, et. al., was filed in federal court in Kansas on July 14, 2011. These cases are essentially stayed while we proceed with discovery in the Bennett case. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.

In addition, the Company has received several complaints purporting to assert claims on behalf of Sprint shareholders, alleging that members of the board of directors breached their fiduciary duties in agreeing to the SoftBank Merger, and otherwise challenging that transaction. There are five cases pending in state court in Johnson County, Kansas: UFCW Local 23 and Employers Pension Fund, et al. v. Bennett, et al., filed on October 25, 2012; Iron Workers Mid-South Pension Fund, et al. v. Hesse, et al., filed on October 25, 2012; City of Dearborn Heights Act 345 Police and Fire Retirement System v. Sprint Nextel Corp., et al., filed on October 12, 2012; Testani, et al. v. Sprint Nextel Corp., et al., filed on November 1, 2012; and Patten, et al. v. Sprint Nextel Corp., et al., filed on November 1, 2012. There is one case filed in federal court in the District of Kansas, entitled Gerbino, et al. v. Sprint Nextel Corp., et al., filed on November 15, 2012. The Company intends to defend these cases vigorously, and, because these cases are still in the preliminary stages, has not yet determined what effect the lawsuits will have, if any, on its financial position, results of operations, or cash flows.

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The Company is also a defendant in several complaints filed by shareholders of Clearwire Corporation, asserting claims for breach of fiduciary duty by Sprint, and related claims and otherwise challenging the Clearwire Acquisition. There are four suits pending in Chancery Court in Delaware: Crest Financial Limited v. Sprint Nextel Corp., et al., filed on December 12, 2012; Katsman v. Prusch, et al., filed December 20, 2012; Feigeles, et al. v. Clearwire Corp., et al., filed December 28, 2012; and Litwin, et al. v. Sprint Nextel Corp., et al., , filed January 2, 2013. There is one case filed in state court in King County, Washington, in which Sprint is a party, and that case and two other cases in which Sprint is not a party have been stayed in favor of the Delaware proceedings: Rowe, et al. v. Clearwire Corp., et al., filed December 31, 2012. The Company intends to defend these cases vigorously, and, because these cases are still in the preliminary stages, has not yet determined what effect the lawsuits will have, if any, on its financial position, results of operations, or cash flows.

Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against us or our subsidiaries. If our interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by us. 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 position or results of operations. During the quarter ended December 31, 2012, there were no material developments in the status of any of these legal proceedings.

Item 4. Mine Safety Disclosures

None.

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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. We currently have no Series 2 common stock or non-voting common stock outstanding. The high and low Sprint Series 1 common stock prices, as reported on the NYSE composite, are as follows:

	2012 Market Price			2011 Market Price		
	High	Low	End of Period	High	Low	End of Period
Series 1 common stock						
First quarter	$3.03	$2.10	$2.85	$5.26	$4.12	$4.64
Second quarter	3.33	2.30	3.26	6.45	4.54	5.39
Third quarter	5.76	3.15	5.52	5.75	2.95	3.04
Fourth quarter	6.04	4.79	5.67	3.39	2.10	2.34

Number of Shareholders of Record

As of February 25, 2013, we had approximately 45,000 Series 1 common stock record holders.

Dividends

We did not declare any dividends on our common shares in 2011 or 2012. 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.”

Issuer Purchases of Equity Securities

None.

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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, 2007 to December 31, 2012. The graph assumes an initial investment of $100 on December 31, 2007 and reinvestment of all dividends.

Value of $100 Invested on December 31, 2007

	2007	2008	2009	2010	2011	2012
Sprint Nextel	$100.00	$13.94	$27.88	$32.22	$17.82	$43.18
S&P 500	$100.00	$63.00	$79.68	$91.68	$93.61	$108.59
Dow Jones U.S. Telecom Index	$100.00	$67.07	$73.68	$86.75	$90.19	$107.14

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Item 6. Selected Financial Data

The selected financial data presented below is not comparable for all periods presented primarily as a result of transactions such as the acquisitions of Virgin Mobile USA, Inc. (Virgin Mobile) and Affiliates in 2009, as well as the November 2008 contribution of our WiMAX wireless network to Clearwire. The acquired companies' results of operations subsequent to their acquisition dates are included in our consolidated financial statements. The 2012 increase in net operating revenues as compared to the prior year was primarily due to an increase in postpaid average revenue per subscriber, continued prepaid subscriber net additions, and increased equipment revenue primarily due to a higher average sales price for both postpaid and prepaid devices. The primary reason for the increase in net operating revenues for 2011 as compared to the prior year was an increase in postpaid average revenue per subscriber and total retail wireless subscribers net additions of 2.4 million. The 2010 increase in net operating revenues as compared to the prior year was primarily related to the total retail wireless subscribers net additions of 783,000 and the additional subscribers obtained in our 2009 acquisitions. We lost approximately 1.0 million retail wireless subscribers in 2009 and 5.1 million in 2008, which caused the majority of the reduction in net operating revenues in 2009.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in millions, except per share amounts)				
Results of Operations					
Net operating revenues	$35,345	$33,679	$32,563	$32,260	$35,635
Goodwill impairment	—	—	—	—	963
Depreciation and amortization	6,543	4,858	6,248	7,416	8,407
Operating (loss) income(1)	(1,820)	108	(595)	(1,398)	(2,642)
Net loss(1)(2)	(4,326)	(2,890)	(3,465)	(2,436)	(2,796)
Loss per Share and Dividends(3)					
Basic and diluted loss per common share(1)(2)	$(1.44)	$(0.96)	$(1.16)	$(0.84)	$(0.98)
Financial Position					
Total assets	$51,570	$49,383	$51,654	$55,424	$58,550
Property, plant and equipment, net	13,607	14,009	15,214	18,280	22,373
Intangible assets, net	22,371	22,428	22,704	23,462	22,886
Total debt, capital lease and financing obligations (including equity unit notes)	24,341	20,274	20,191	21,061	21,610
Shareholders' equity	7,087	11,427	14,546	18,095	19,915
Cash Flow Data					
Net cash provided by operating activities	$2,999	$3,691	$4,815	$4,891	$6,179
Capital expenditures	4,261	3,130	1,935	1,603	3,882

(1) In 2012, operating income decreased $1.9 billion from the prior year resulting in an operating loss primarily due to increases in operating expenses of $3.6 billion partially offset by the increase in net operating revenues of $1.7 billion. The increases in operating expenses are due to the incremental effect of accelerated depreciation due to the implementation of Network Vision, which was approximately $2.1 billion, of which the majority related to the Nextel platform. The increase related to accelerated depreciation was slightly offset by a net decrease in depreciation as a result of assets that became fully depreciated or were retired. In addition, wireless cost of products increased approximately $1.8 billion primarily due to higher cost of postpaid and prepaid devices. In 2011, operating income improved $703 million primarily due to the increase in net operating revenues of $1.1 billion as well as decreases in depreciation and amortization associated with a reduction in the replacement rate of assets in 2009 through 2011, and definite lived intangible assets becoming fully amortized. These changes were offset by increases in operating expenses of $413 million as a result of increases in wireless cost of services associated with 4G MVNO roaming due to higher data usage and increased wireless cost of products primarily related to higher cost of postpaid and prepaid devices. In 2010, operating loss improved $803 million primarily due

to the increase in net operating revenues of $303 million in addition to decreases in operating expenses of $500 million as a result of our cost cutting initiatives in prior periods. In 2009, we recognized net charges of $389 million ($248 million after tax) primarily related to asset impairments other than goodwill, severance and exit costs, and merger and integration costs. In 2008, we recognized net charges of $936 million ($586 million after tax) primarily related to merger and integration costs, asset impairments other than goodwill, and severance and exit costs.

(2) During 2012 and 2011, the Company did not recognize significant tax benefits associated with federal and state net operating losses generated during the periods due to its history of consecutive annual losses. As a result, the Company recognized an increase in the valuation allowance on deferred tax assets affecting the income tax provision by approximately $1.8 billion, $1.2 billion, and $1.4 billion for the years ended December 31, 2012, 2011 and 2010, respectively.

(3) We did not declare any dividends on our common shares in any of the periods reported.

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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 the quality and types of services and devices offered, as well as price. We are currently undergoing a significant multi-year program, Network Vision, to upgrade our existing wireless communication network, including the decommissioning of our Nextel platform for which we expect to re-purpose valuable spectrum resources that currently support that network (see “Overview - Network Vision”). To support our business strategy and expected capital requirements associated with Network Vision, as well as take advantage of a favorable interest rate environment to refinance a portion of existing debt, we raised debt financing of approximately $8.9 billion during 2012 in addition to executing a $1.0 billion secured equipment credit facility with remaining availability of up to $704 million as of December 31, 2012 (see “Liquidity and Capital Resources”).

Wireless segment earnings represented approximately 86% of our total consolidated segment earnings as of December 31, 2012. Within the Wireless segment, postpaid wireless voice and data services represent the most significant contributors to earnings and are driven by the number of postpaid subscribers to our services, as well as the average revenue per user (ARPU).

The following table shows our trend of end of period postpaid subscribers by platform for the past five years.

	As of December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Sprint platform	30,245	28,729	27,446	26.712	27,068
Nextel platform	1,632	4,285	5,666	7.255	9,610
Total end of period postpaid subscribers	31,877	33,014	33,112	33.967	36,678

In the first quarter of 2012, we formalized our plans to decommission the Nextel platform and ceased using approximately one-third, or 9,600, of the Nextel platform cell sites in the middle of 2012 as part of Network Vision. We expect the remainder of the Nextel platform, or approximately 20,000 sites, to be shut-down on June 30, 2013. During the Network Vision modernization program, as we execute on the planned shut-down of the Nextel platform, we expect continued losses on the Nextel platform; however, we intend to achieve subscriber growth on the Sprint platform by focusing on the addition of profitable subscribers as well as the recapture of subscribers from the Nextel platform. Despite the overall reduction in postpaid subscribers, primarily as a result of our action to shut-down the Nextel platform, we experienced growth in net operating revenue during the twelve month period ended 2012 as compared to 2011, related primarily to the continued adoption of smartphones and the premium data add-on charge. During 2012, we achieved approximately 1.5 million net postpaid subscriber additions on the Sprint platform, of which substantially all represented postpaid subscribers that deactivated service on the Nextel platform, while the Nextel postpaid platform incurred approximately 2.7 million net postpaid subscriber losses.

During the year ended December 31, 2012, we achieved an annual recapture rate of approximately 55% of the Nextel platform postpaid subscribers, based on net postpaid subscribers that terminated service on the Nextel platform during that same period and activated service on the Sprint platform. In addition, recaptured Nextel platform subscribers, on average, carry a slightly higher average revenue per subscriber on the Sprint platform as compared to the Nextel platform as a result of smartphone adoption by such subscribers. At December 31, 2012, there were approximately 2.1 million Nextel platform subscribers, of which approximately 1.6 million and 454,000 represent postpaid and prepaid, respectively. More than 80% of the remaining 1.6 million Nextel platform postpaid subscribers represent business accounts. Although we will continue to pursue the recapture of these subscribers, we expect the level of competition for these subscribers as well as the timing of business customer decisions to cause the rate of recapture to decline to 30-40% during the six-month period ended June 30, 2013. Despite the continued reduction of Nextel platform subscribers as we shut-down the Nextel platform in 2013, we expect consolidated net operating revenue to benefit from Sprint platform growth in 2013. Prospectively, our efforts are expected to continue

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to focus on profitable growth through service provided on an enhanced wireless network on the Sprint platform while continuing to achieve our key priorities.

Our business strategy is to be responsive to changing customer mobility demands by being innovative and differentiated in the marketplace. Our future growth plans and strategy revolve around achieving the following three key priorities:

- Improve the customer experience;
- Strengthen our brands; and
- Generate operating cash flow.

To simplify and improve the customer experience, we continue to offer Ready Now, which trains our customers before they leave the store on how to use their mobile devices. For our business customers, we aim to increase their productivity by providing differentiated services that utilize the advantages of combining IP networks with wireless technology. This differentiation enables us to retain and acquire both wireline, wireless and combined wireline-wireless subscribers on our networks. We have also continued to focus on further improving customer care. 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.

We distinguish ourselves from the other wireless providers through our truly unlimited offerings of data, text and calling to any mobile, any time. We are rated one of the highest in satisfaction of purchase experience for full-service wireless providers and have been named one of the nation's greenest companies. In addition to our improvements in the customer experience, we continue to strengthen our brand through offering a broad selection of some of the most desired and iconic devices while focusing on continued enhancements to our network and our upgrade to LTE.

In addition to our brand and customer-oriented goals, we continue to focus on generating increased operating cash flow through competitive rate plans for postpaid and prepaid subscribers, multi-branded strategies, and effectively managing our cost structure. Certain of our strategic decisions, such as Network Vision and the introduction of the iPhone®, which on average carries a higher equipment net subsidy, will result in a reduction in cash flows from operations in the near term. However, we believe these actions will generate long-term benefits, including growth in valuable postpaid subscribers, a reduction in variable cost of service per unit and long-term accretion to cash flows from operations. See “Liquidity and Capital Resources” for more information.

Proposed Business Transactions

On October 15, 2012 we entered into an Agreement and Plan of Merger (Merger Agreement) with SOFTBANK CORP., a kabushiki kaisha organized and existing under the laws of Japan, and certain of its wholly-owned subsidiaries (together, "SoftBank"). Upon consummation of the merger (SoftBank Merger), (i) Sprint will become a wholly-owned subsidiary of a subsidiary of SoftBank (New Sprint), (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former stockholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's stockholders, and is expected to close in mid-2013.

In addition, on October 15, 2012, Sprint and SoftBank entered into a Bond Purchase Agreement (Bond Agreement), an on October 22, 2012, Sprint issued a convertible bond (Bond) under the Bond Agreement to New Sprint with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019. The Bond is convertible into approximately 590 million shares of Sprint common stock, subject to adjustment. The Bond will convert into shares of Sprint common stock immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement.

On November 6, 2012, Sprint entered into a definitive agreement with United States Cellular Corporation (U.S. Cellular) to acquire personal communications services (PCS) spectrum and approximately 585,000 customers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint has agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets. These costs are expected to range from $130 million to $150 million on a net present value basis, but in no event will Sprint's reimbursement obligation exceed $200 million on an undiscounted basis. The additional spectrum will be used to supplement Sprint's coverage in these areas.

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On December 11, 2012, Sprint purchased the equity holdings of one of Clearwire's equityholders, Eagle River Holdings, LLC (Eagle River) comprised of 30.9 million shares of Class A Common Stock and 2.7 million shares of Class B Interests, for a total purchase price of $100 million in cash.

In addition, on December 17, 2012, Sprint entered into a merger agreement with Clearwire Corporation to acquire all of the remaining equity interests in Clearwire Corporation that we do not currently own for approximately $2.2 billion in cash, or $2.97 per share (Clearwire Acquisition). In connection with the Clearwire Acquisition, Clearwire Corporation and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be exchangeable for Clearwire common stock at $1.50 per share, subject to certain conditions and subject to adjustment. Under the financing agreements, Sprint has agreed to purchase $80 million of exchangeable notes per month for up to ten months beginning in January 2013, with some of the monthly purchases subject to certain funding conditions, including conditions relating to approval of the Clearwire Acquisition by Clearwire's shareholders and the parties agreeing to a network build out plan. On January 31 2013 Sprint and Clearwire entered into an amendment to the financing agreement which extended the date the parties were to agree to a network build out plan from January 31, 2013 to February 28, 2013.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

Network Vision

Network Vision will encompass approximately 38,000 cell sites. We had approximately 6,000 sites on air and had launched LTE in 49 markets as of December 31, 2012. Further deployments of Network Vision technology, including LTE market launches and enhancements of our 3G technology, are expected to continue through the middle of 2014. We expect Network Vision to bring financial benefit to the Company through migration to one common network, which is expected to reduce network maintenance and operating costs through capital efficiencies, reduced energy costs, lower roaming expenses, backhaul savings, and reduction in total cell sites. Our expectation of financial savings is affected by multiple variables, including our expectation of the timeliness of deployment across our existing network footprint. We revised our plan to bring 12,000 multi-mode base stations on-air by the end of 2012 to the first quarter of 2013. The deployment of multi-mode technology is managed by Sprint but dependent upon three primary OEMs, each of which has responsibility for a geographical territory across the United States. During the second half of 2012, we experienced delays with vendor execution, backhaul connectivity delays, shortages in equipment such as fiber cable and antennas, as well as other regulatory and environmental issues. However, we expect that we will recover from these delays and we are still forecasting to have the majority of the sites on-air by the end of 2013 with expected completion of Network Vision deployment by the middle of 2014.

The deployment related to changes in technology have resulted in incremental charges during the period of implementation of our multi-mode technology and Nextel platform decommissioning including, but not limited to, an increase in depreciation associated with existing assets related to both the Nextel and Sprint platforms due to changes in our estimates of the remaining useful lives of long-lived assets, changes in the expected timing and amount of asset retirement obligations, and lease exit and other contract termination costs. In the first quarter of 2012, we formalized our plans to take off-air roughly one-third, or 9,600 cell sites, of our total Nextel platform by the middle of 2012 with the remaining sites to be taken off-air on June 30, 2013. As a result, in the first quarter 2012, we revised our estimates to shorten the expected useful lives of Nextel platform assets through the expected benefit period of the underlying assets through 2013 and also revised the expected timing and amount of our asset retirement obligations. During the second quarter 2012, as a result of progress in taking Nextel platform sites off-air and progress toward notifying and transitioning customers off the Nextel platform, we further reduced our estimated benefit period for the remaining Nextel platform assets through the middle of 2013 resulting in incremental depreciation expense. The amounts reflected as depreciation expense are dependent upon the expected useful lives of assets, which includes our expectation of the timing of assets to be phased out of service, and could result in further revision during the decommissioning period. The remaining net book value of Nextel platform assets as of December 31, 2012 was approximately $1.0 billion, which we expect to recognize as depreciation expense on an approximately ratable basis through June 30, 2013. We took approximately 9,600 cell sites off-air in 2012 which

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resulted in lease exit costs totaling approximately $196 million as of December 31, 2012. We expect to complete our shutdown of the Nextel platform on June 30, 2013. As a result, we expect to incur significant additional charges in the future under other tower lease agreements as we continue to take off-air Nextel platform sites as well as transition our existing backhaul architecture to a replacement technology for our remaining network sites.

We are also experiencing increased data usage driven by more subscribers on the Sprint platform and a continuing shift in our subscriber base to smartphones, which has required additional capital expenditures of legacy 3G Sprint platform equipment (legacy equipment). As we deploy Network Vision, we intend to maximize the use of previously deployed legacy equipment when possible; however, based on our capacity needs during the implementation period of Network Vision, we expect additional legacy equipment expenditures that will not be utilized beyond the final deployment of Network Vision's multi-mode technology, which is expected to continue through the middle of 2014. As a result, the estimated useful lives of such equipment have been shortened, as compared to similar prior capital expenditures, which we also expect will contribute to an increase in depreciation expense. There is approximately $1.3 billion in net book value of legacy equipment currently in-service with shortened estimated useful lives, which is resulting in accelerated depreciation as of December 31, 2012. In addition, capital expenditures of approximately $205 million related to legacy equipment are included in construction in progress as of December 31, 2012, which we also expect to have a shortened estimated useful life when placed in-service. Furthermore, based on current estimates of increased data usage, we expect additional capital expenditures of legacy equipment until Network Vision is substantially complete.

RESULTS OF OPERATIONS

	Year Ended December 31,		
	2012	2011	2010
	(in millions)		
Wireless segment earnings	$4,147	$4,267	$4,531
Wireline segment earnings	649	800	1,090
Corporate, other and eliminations	7	5	12
Consolidated segment earnings	4,803	5,072	5,633
Depreciation and amortization	(6,543)	(4,858)	(6,248)
Other, net	(80)	(106)	20
Operating (loss) income	(1,820)	108	(595)
Interest expense	(1,428)	(1,011)	(1,464)
Equity in losses of unconsolidated investments, net	(1,114)	(1,730)	(1,286)
Other income (expense), net	190	(3)	46
Income tax expense	(154)	(254)	(166)
Net loss	$(4,326)	$(2,890)	$(3,465)

Consolidated segment earnings decreased $269 million, or 5%, in 2012 compared to 2011 and $561 million, or 10%, in 2011 compared to 2010. Consolidated segment earnings consist of our Wireless and Wireline segments, which are discussed below, and Corporate, other and eliminations.

Depreciation and Amortization Expense

Depreciation expense increased $1.8 billion, or 40%, in 2012 compared to 2011. The Network Vision deployment is resulting in incremental charges during the period of implementation including, but not limited to, an increase in depreciation associated with existing assets related to both the Nextel and Sprint platforms, due to changes in our estimates of the remaining useful lives of long-lived assets, and the expected timing and amount of asset retirement obligations, which we expect to continue to have a material impact on our results of operations during 2013. In 2012, the incremental effect of accelerated depreciation due to the implementation of Network Vision was approximately $2.1 billion, of which the majority related to the Nextel platform. The increase related to accelerated depreciation was slightly offset by a net decrease in depreciation as a result of assets that became fully depreciated or were retired. We expect that the amount of accelerated depreciation in 2013 will be lower than 2012, primarily as a result of our initial phase of taking Nextel platform sites off-air which occurred within the first two quarters of 2012. Although we expect the amount of accelerated depreciation related to the Nextel platform to

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decline in 2013, we expect an increase in capital expenditures during the period of implementation of Network Vision, which is expected to result in an increase in depreciation expense over the next several years as those assets are placed in service. Depreciation expense decreased $619 million, or 12%, in 2011 compared to 2010 primarily due to the estimated useful life study of depreciable assets which reflected a reduction in the replacement rate of capital additions. This decline is partially offset by an increase due to assets placed in service as a result of capital expenditures related to capacity to support increased data usage by our subscribers.

Amortization expense declined $100 million, or 25%, in 2012 compared to 2011 primarily due to the absence of amortization for customer relationship intangible assets related to the 2006 acquisition of Nextel Partners, Inc. and the 2009 acquisition of Virgin Mobile USA, Inc. (Virgin Mobile), which became fully amortized in the second quarter 2011. Amortization expense declined $771 million, or 66%, in 2011 as compared to 2010, primarily due to the absence of amortization for customer relationship intangible assets related to the 2005 acquisition of Nextel which became fully amortized in the second quarter 2010 and Nextel Partners, Inc. and Virgin Mobile impacting 2011 as discussed above. Our remaining customer relationships are amortized using the sum-of-the-months'-digits method, resulting in higher amortization rates in early periods that decline over time.

Other, net

The following table provides additional information of items included in “Other, net” for the years ended December 31, 2012, 2011 and 2010.

	Year Ended December 31,		
	2012	2011	2010
	(in millions)		
Severance and exit costs	$(196)	$(28)	$(8)
Asset impairments	(102)	(78)	(125)
Spectrum hosting contract termination	236	—	—
Gains from asset dispositions and exchanges	29	—	69
Other	(47)	—	84
Total	$(80)	$(106)	$20

Other, net changed $26 million, or 25%, in 2012 compared to 2011 and $126 million, or 630%, in 2011 compared to 2010. During 2012, we recognized severance and exit costs of $196 million as a result of lease exit costs associated with taking certain Nextel platform sites off-air in the second and third quarter 2012. We did not accrue lease exit costs for certain sites taken off-air in the second and third quarter of 2012 as these sites are subject to agreements under which we expect to continue to receive economic benefit for the remaining term. As a result of this factor, as well as the variability of factors that are used in the estimate of lease exit costs, the relationship of the costs recognized in the current quarter to the number of sites taken off-air is not necessarily indicative of future per-site charges as we complete our transition of Nextel customers and continue to take sites off-air. During 2011 we recognized severance and exit costs of $28 million associated with actions in the fourth quarter of 2011. During 2010 we recognized $8 million of severance and exit costs primarily related to exit costs incurred in the second and fourth quarter 2010 associated with vacating certain office space which is no longer being utilized. Asset impairments increased by $24 million, or 31%, in 2012 compared to 2011 and decreased $47 million, or 38%, in 2011 compared to 2010.

Asset impairments in the first quarter 2012, consisted of $18 million of assets associated with a decision to utilize fiber backhaul, which we expect to be more cost effective, rather than microwave backhaul and $66 million of capitalized assets that we no longer intend to deploy as a result of the termination of a spectrum hosting arrangement in the first quarter 2012. Asset impairments of $18 million in the fourth quarter 2012 and all asset impairments in 2011 and 2010 primarily relate to assets that are no longer necessary for management's strategic plans and were primarily related to network asset equipment.

Spectrum hosting contract termination is due to the recognition of $236 million of the total $310 million paid by LightSquared in 2011 as operating income in "Other, net" due to the termination of our spectrum hosting arrangement with LightSquared. Additional information related to these items can be found in the Notes to the

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Consolidated Financial Statements. Gains from asset dispositions and exchanges for 2012 and 2010 are primarily related to spectrum exchange transactions.

The amounts reflected in Other for 2012 consist of $45 million of hurricane-related costs and $19 million of expenses associated with business combinations offset by $17 million in benefits resulting from favorable developments relating to access cost disputes with certain exchange carriers. The amounts reflected in "Other" in 2010 were primarily related to benefits resulting from favorable developments relating to access cost disputes with certain exchange carriers.

Interest Expense

Interest expense increased $417 million, or 41%, in 2012 as compared to 2011, primarily due to increased weighted average long-term debt balances as a result of 2011 and 2012 debt issuances partially offset by 2011 and 2012 debt repayments (see Notes to the Consolidated Financial Statements for details on debt issuances and repayments), in addition to increased effective interest rates combined with reductions in the amount of interest capitalized primarily related to spectrum licenses. We expect interest capitalization related to spectrum licenses not previously utilized to continue to decline as a substantial portion of the value of our spectrum licenses used for Network Vision are now ready for use. Interest expense decreased $453 million, or 31%, in 2011 as compared to 2010 primarily due to a $400 million increase in the amount of interest capitalized. The increase in capitalized interest was related to our plan to deploy certain spectrum licenses as part of Network Vision that were not previously utilized. The reduction in interest expense also includes a decrease of $115 million as a result of the repayment of $1.65 billion of Sprint Capital Corporation 7.625% senior notes in January 2011. The decrease was partially offset by increases in interest expense of $54 million as a result of the November 2011 Sprint Nextel Corporation issuance of $1 billion in principal of 11.50% senior notes due 2021 and $3 billion in principal of 9.00% guaranteed notes due 2018. The effective interest rate, which includes capitalized interest, on the weighted average long-term debt balance of $22.0 billion, $19.1 billion, and $20.6 billion was 7.8%, 7.4%, and 7.2% for 2012, 2011 and 2010, respectively. See “Liquidity and Capital Resources” for more information on the Company's financing activities.

Equity in Losses of Unconsolidated Investments, net

Clearwire owns and operates a next generation mobile broadband network that provides high-speed residential and mobile Internet access services and residential voice services in communities throughout the country. On December 17, 2012, Sprint entered into a definitive agreement with Clearwire Corporation to acquire the remaining interest Sprint does not currently own for $2.97 per share for a total payment of approximately $2.2 billion to Clearwire Corporation shareholders.

Equity in losses of unconsolidated investments primarily consists of our proportionate share of losses from our equity method investments. Equity in losses associated with our investment in Clearwire consists of Sprint's share of Clearwire's net loss and other adjustments such as gains or losses associated with the dilution of Sprint's ownership interest resulting from Clearwire's equity issuances, Sprint's impairment, if any, of its investment in Clearwire, and other items recognized by Clearwire Corporation that do not effect Sprint's economic interest. Equity in losses from Clearwire were $1.1 billion, $1.7 billion, and $1.3 billion for 2012, 2011 and 2010, respectively. Equity in losses from Clearwire for 2012, 2011 and 2010 include charges of approximately $41 million, $361 million and $97 million, respectively, which are associated with Clearwire's write-off of certain network and other assets that no longer meet their strategic plans.

The years ended December 31, 2012 and 2011 also include a $204 million and $135 million, respectively, pre-tax impairment reflecting Sprint's reduction in the carrying value of its investment in Clearwire to an estimated fair value. In addition, the year ended December 31, 2011 also includes a dilution loss of approximately $27 million associated with the fourth quarter reduction of our non-controlling economic interest related to Clearwire's equity issuance.

Other income (expense), net

Other income (expense), net changed $193 million in 2012 as compared to 2011 primarily as a result of an increase in interest income from the additional promissory note received from Clearwire in January 2012 as well as gains on our early retirement of all of our remaining Nextel Communications, Inc. notes. The change of $49 million in 2011 as compared to 2010 was primarily a result of losses on early retirement of debt in 2011 due to the redemption of all of our remaining Sprint Capital Corporation 8.375% senior notes.

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Income Tax Expense

The consolidated effective tax rate was an expense of approximately 4%, 10% and 5% in 2012, 2011, and 2010, respectively. The income tax expense for 2012, 2011, and 2010 is primarily attributable to taxable temporary differences from amortization of FCC licenses and includes a $1.8 billion, $1.2 billion, and $1.4 billion net increase to the valuation allowance for federal and state deferred tax assets primarily related to net operating loss carryforwards generated during the respective periods. The income tax expense for 2012 also includes a $69 million tax benefit resulting from the resolution of various federal and state income tax uncertainties. The income tax expense for 2011 also includes a $59 million expense resulting from changes in corporate state income tax laws. We do not expect to record significant tax benefits on future net operating losses until our circumstances justify the recognition of such benefits. Additional information related to items impacting the effective tax rates can be found in the Notes to the Consolidated Financial Statements.

Segment Earnings - Wireless

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 the net cost 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 these changes.

As shown by the table above under “Results of Operations,” Wireless segment earnings represented approximately 86% of our total consolidated segment earnings as of December 31, 2012. The wireless industry is subject to competition to retain and acquire 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. Within the Wireless segment, postpaid wireless services represent the most significant contributors to earnings, and are driven by the number of postpaid subscribers to our services, as well as the average revenue per subscriber or user (ARPU). Wireless segment earnings have declined over the last several years, primarily resulting from subscriber losses associated with our Nextel platform postpaid offerings. Most recently, our decision to shut-down the Nextel platform has accelerated the loss of subscribers on that platform; however, we have focused our efforts on recapturing these subscribers on our Sprint platform. In addition, we have taken initiatives to strengthen the Sprint brand and continue to increase market awareness of the improvements that have been achieved in the customer experience. We have also introduced new devices, including the iPhone® in the fourth quarter of 2011 and the iPad® in the fourth quarter of 2012, improving our overall lineup and providing a competitive portfolio for customer selection, as well as competitive rate plans providing simplicity and value, which have contributed to an increase in net equipment subsidy costs.

The Company has significantly improved net postpaid subscriber results on the Sprint platform subsequent to the first quarter 2009 as a result of the actions taken, including the recapture of Nextel platform subscribers. In conjunction with Network Vision, the Company continues to focus on the growth of the Sprint platform including the targeted retention of Nextel platform subscribers through competitive offerings on the Sprint platform, which includes Sprint Direct Connect. As a result of our plans and increased competition for these subscribers, we expect that subscriber churn on the Nextel platform, both postpaid and prepaid, will increase through the shut-down period of the Nextel platform. Although the Company continues to experience net losses of Nextel platform postpaid subscribers, beginning in 2010, wireless service revenue has increased primarily as a result of growth in subscribers from our prepaid business as well as increased postpaid ARPU and subscribers on the Sprint platform.

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The following table provides an overview of the results of operations of our Wireless segment for each of the three years ended December 31, 2012.

Wireless Earnings	Year Ended December 31, 2012	2011	2010
	(in millions)		
Sprint platform	$22,264	$20,052	$18,339
Nextel platform	1,455	2,582	3,582
Total postpaid	23,719	22,634	21,921
Sprint platform	4,380	3,325	1,617
Nextel platform	525	1,170	2,139
Total prepaid	4,905	4,495	3,756
Retail service revenue	28,624	27,129	25,677
Wholesale, affiliate and other revenue	483	261	217
Total service revenue	29,107	27,390	25,894
Cost of services (exclusive of depreciation and amortization)	(9,017)	(8,907)	(8,288)
Service gross margin	20,090	18,483	17,606
Service gross margin percentage	69%	67%	68%
Equipment revenue	3,248	2,911	2,703
Cost of products	(9,905)	(8,057)	(6,965)
Equipment net subsidy	(6,657)	(5,146)	(4,262)
Equipment net subsidy percentage	(205)%	(177)%	(158)%
Selling, general and administrative expense	(9,286)	(9,070)	(8,813)
Wireless segment earnings	$4,147	$4,267	$4,531

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 retain existing and acquire new subscribers.

Retail comprises those subscribers to whom Sprint directly provides wireless services, whether those services are provided on a postpaid or a prepaid basis. Retail service revenue increased $1.5 billion, or 6%, in 2012 as compared to 2011 and increased $1.5 billion, or 6% in 2011 as compared to 2010. The increase in retail service revenue in 2012 as compared to 2011 reflects an increase in Sprint platform postpaid service revenue related to our $10 premium data add-on charge required for all smartphones and continued popularity of unlimited and bundled plans, combined with increases in roaming and other fees. The increase was also driven by continued subscriber growth from our Assurance Wireless brand as well as a growing number of subscribers on our remaining prepaid brands who are choosing higher rate plans as a result of the increased availability of smartphones. The majority of the increase in 2011 as compared to 2010 was primarily driven by an increase in postpaid service revenue related to the $10 premium data add-on charge for smartphones and greater popularity of unlimited and bundled plans, combined with other fee increases including an increase in our handset protection plan. The increase was also driven by attracting more subscribers to our Boost and Virgin Mobile prepaid brands who chose higher rate plans to take advantage of international offerings as well as the increased availability of smartphones and increased subscribers from new market launches for our Assurance Wireless brand.

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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 subscribers. Wholesale, affiliate and other revenues increased $222 million, or 85%, for 2012 as compared to 2011, and increased $44 million, or 20%, for 2011 as compared to 2010. The majority of the increase in 2012 as compared to 2011 and 2011 as compared to 2010 was a result of growth in our MVNO's reselling prepaid services. Specifically, growth in subscribers on the Lifeline program offered through our MVNO's reselling prepaid services, which is similar to our Assurance Wireless offering, contributed to revenue growth. Approximately 33% of our wholesale and affiliate subscribers represent a growing number of connected devices. These devices generate revenue from usage which varies depending on the solution being utilized. Average revenue per connected device is generally 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.

Average Monthly Service Revenue per Subscriber and Subscriber Trends

The table below summarizes average number of retail subscribers and ARPU for the years ended December 31, 2012, 2011 and 2010. Additional information about the number of subscribers, net additions to subscribers, ARPU, and average rates of monthly postpaid and prepaid subscriber churn for each quarter since the first quarter 2010 may be found in the tables on the following pages.

	Year Ended December 31,		
	2012	2011	2010
	(subscribers in thousands)		
Average postpaid subscribers	32,462	32,935	33,249
Average prepaid subscribers	15,291	13,672	11,272
Average retail subscribers	47,753	46,607	44,521
ARPU(1):			
Postpaid	$60.84	$57.27	$54.94
Prepaid	$26.72	$27.40	$27.76
Average retail	$49.92	$48.51	$48.06

(1) ARPU is calculated by dividing service revenue by the sum of the average number of subscribers in the applicable service category. Changes in average monthly service revenue reflect subscribers for either the postpaid or prepaid service category who change rate plans, the level of voice and data usage, 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.

Postpaid ARPU for 2012 increased as compared to 2011 primarily due to increased revenues from the $10 premium data add-on charges for all smartphones and increases in roaming and other fees. Postpaid ARPU for 2011 increased as compared to 2010 due to increased revenues from the $10 premium data add-on charges for all smartphones and fee increases in our handset protection plan.

Prepaid ARPU declined for 2012 compared to 2011 and for 2011 compared to 2010 primarily as a result of net additions of our Assurance Wireless brand whose subscribers carry a lower ARPU, partially offset by an increase in ARPU for the remaining prepaid brands as subscribers are choosing higher priced plans to take advantage of international offerings and the increased availability of smartphones. Average retail ARPU increased for 2012 compared to 2011 primarily as a result of the increased postpaid ARPU which was partially offset by an increased weighting of average prepaid subscribers to average retail subscribers which carry a lower ARPU. Average retail ARPU increased for 2011 compared to 2010 primarily as a result of the increased postpaid ARPU which was partially offset by an increased weighting of average prepaid subscribers to total subscribers which carry a lower ARPU.

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The following table shows (a) net additions (losses) of wireless subscribers, (b) our total subscribers as of the end of each quarterly period for the past twelve quarters, and (c) end of period connected device subscribers.

	Quarter Ended											
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Net additions (losses) (in thousands)[1]												
Sprint platform:												
Postpaid	(131)	136	276	453	253	226	265	539	263	442	410	401
Prepaid	392	638	1,171	1,414	1,406	1,149	839	899	870	451	459	525
Wholesale and affiliates	155	166	280	393	389	519	835	954	785	388	14	(243)
Total Sprint platform	416	940	1,727	2,260	2,048	1,894	1,939	2,392	1,918	1,281	883	683
Nextel platform:												
Postpaid	(447)	(364)	(383)	(395)	(367)	(327)	(309)	(378)	(455)	(688)	(866)	(644)
Prepaid	(44)	(465)	(700)	(768)	(560)	(475)	(354)	(392)	(381)	(310)	(440)	(376)
Total Nextel platform	(491)	(829)	(1,083)	(1,163)	(927)	(802)	(663)	(770)	(836)	(998)	(1,306)	(1,020)
Total retail postpaid	(578)	(228)	(107)	58	(114)	(101)	(44)	161	(192)	(246)	(456)	(243)
Total retail prepaid	348	173	471	646	846	674	485	507	489	141	19	149
Total wholesale and affiliate	155	166	280	393	389	519	835	954	785	388	14	(243)
Total Wireless	(75)	111	644	1,097	1,121	1,092	1,276	1,622	1,082	283	(423)	(337)
End of period subscribers (in thousands)[1]												
Sprint platform[2]:												
Postpaid[4]	26,581	26,717	26,993	27,446	27,699	27,925	28,190	28,729	28,992	29,434	29,844	30,245
Prepaid	5,361	5,999	7,121	8,535	9,941	11,090	11,929	12,828	13,698	14,149	14,608	15,133
Wholesale and affiliates[3][4]	3,633	3,799	4,128	4,521	4,910	5,429	6,264	7,218	8,003	8,391	8,405	8,162
Total Sprint platform	35,575	36,515	38,242	40,502	42,550	44,444	46,383	48,775	50,693	51,974	52,857	53,540
Nextel platform:												
Postpaid	6,808	6,444	6,061	5,666	5,299	4,972	4,663	4,285	3,830	3,142	2,276	1,632
Prepaid	5,675	5,210	4,510	3,742	3,182	2,707	2,353	1,961	1,580	1,270	830	454
Total Nextel platform	12,483	11,654	10,571	9,408	8,481	7,679	7,016	6,246	5,410	4,412	3,106	2,086

Total retail postpaid[4]	33,389	33,161	33,054	33,112	32,998	32,897	32,853	33,014	32,822	32,576	32,120	31,877
Total retail prepaid	11,036	11,209	11,631	12,277	13,123	13,797	14,282	14,789	15,278	15,419	15,438	15,587
Total wholesale and affiliates[3][4]	3,633	3,799	4,128	4,521	4,910	5,429	6,264	7,218	8,003	8,391	8,405	8,162
Total Wireless	48,058	48,169	48,813	49,910	51,031	52,123	53,399	55,021	56,103	56,386	55,963	55,626
Supplemental data - connected devices												
End of period subscribers (in thousands)[4]												
Retail postpaid	612	630	660	702	715	727	762	783	791	809	817	813
Wholesale and affiliates	1,730	1,765	1,824	1,860	1,883	1,920	1,956	2,077	2,217	2,361	2,542	2,670
Total	2,342	2,395	2,484	2,562	2,598	2,647	2,718	2,860	3,008	3,170	3,359	3,483

(1) Subscribers that transfer from their original service category classification to another platform, or another service line within the same platform, are reflected as a net loss to the original service category and a net addition to their new service category. There is no net effect for such subscriber changes to the total wireless net additions (losses) or end of period subscribers.

(2) Reflects the third quarter 2010 transfer of 49,000 wholesale and affiliates subscribers from prepaid as a result of a sale and transfer of customers to an affiliate.

(3) Subscribers through some of our MVNO relationships have inactivity either in voice usage or primarily as a result of the nature of the device, where activity only occurs when data retrieval is initiated by the end-user and may occur infrequently. Although we continue to provide these customers access to our network through our MVNO relationships, approximately 822,000 subscribers at December 31, 2012 through these MVNO relationships have been inactive for at least six months, with no associated revenue during the six-month period ended December 31, 2012.

(4) End of period connected devices are included in total retail postpaid or wholesale and affiliates end of period subscriber totals for all periods presented.

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The following table shows (a) our average rates of monthly postpaid and prepaid subscriber churn as of the end of each quarterly period for the past twelve quarters,
(b) our recapture of Nextel platform subscribers that deactivated but remained as customers on the Sprint platform, and (c) our postpaid and prepaid ARPU as of the end of each quarter.

	Quarter Ended										
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	Septem 2012
Monthly subscriber churn rate[1]											
Sprint platform:											
Postpaid	2.14 %	1.82 %	1.91 %	1.84 %	1.78 %	1.72 %	1.91 %	1.99 %	2.00 %	1.69 %	1.88
Prepaid	5.07 %	4.81 %	4.06 %	3.63 %	3.41 %	3.25 %	3.43 %	3.07 %	2.92 %	3.16 %	2.93
Nextel platform:											
Postpaid	2.21 %	1.97 %	2.00 %	1.93 %	1.95 %	1.92 %	1.91 %	1.89 %	2.09 %	2.56 %	4.38
Prepaid	6.34 %	6.43 %	6.97 %	7.37 %	6.94 %	7.29 %	7.02 %	7.18 %	8.73 %	7.18 %	9.39
Total retail postpaid	2.15 %	1.85 %	1.93 %	1.86 %	1.81 %	1.75 %	1.91 %	1.98 %	2.01 %	1.79 %	2.09
Total retail prepaid	5.74 %	5.61 %	5.32 %	4.93 %	4.36 %	4.14 %	4.07 %	3.68 %	3.61 %	3.53 %	3.37
Nextel platform subscriber recaptures Rate[2]:											
Postpaid	15 %	17 %	23 %	28 %	27 %	27 %	27 %	39 %	46 %	60 %	59
Prepaid	11 %	16 %	21 %	25 %	27 %	21 %	21 %	25 %	23 %	32 %	34
Subscribers[3]:											
Postpaid	88	85	114	137	124	113	103	168	228	431	516
Prepaid	137	204	270	296	260	171	141	152	137	143	152
ARPU											
Sprint platform:											
Postpaid	$56.88	$56.84	$56.80	$57.53	$58.52	$59.07	$60.20	$61.22	$62.55	$63.38	$63.21
Prepaid	$18.30	$20.38	$22.37	$24.16	$25.76	$25.53	$25.35	$25.16	$25.64	$25.49	$26.19
Nextel platform:											
Postpaid	$47.34	$46.88	$46.08	$44.74	$44.35	$43.68	$42.78	$41.91	$40.94	$40.25	$38.65
Prepaid	$35.67	$35.85	$34.54	$35.07	$35.46	$34.63	$35.62	$34.91	$35.68	$37.20	$34.73
Total retail postpaid	$54.89	$54.85	$54.78	$55.26	$56.17	$56.67	$57.65	$58.59	$59.88	$60.88	$61.18
Total retail prepaid	$27.49	$27.98	$27.62	$27.95	$28.39	$27.53	$27.19	$26.62	$26.82	$26.59	$26.77

(1) 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 postpaid 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. Postpaid and prepaid churn consist 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.

(2) Represents the recapture rate defined as the Nextel platform postpaid or prepaid subscribers, as applicable, that switched from the Nextel platform during each period but activated service on the Sprint platform over the total Nextel platform subscriber deactivations in the period for postpaid and prepaid, respectively.

(3) Represents the Nextel platform postpaid and prepaid subscribers, as applicable, that switched from the Nextel platform during each period but remained with the Company as subscribers on the Sprint platform. Subscribers that deactivate service on the Nextel platform and activate service on the Sprint platform are included in the Sprint platform net additions for the applicable period.

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Subscriber Results
In the first quarter of 2012, we formalized our plan to decommission the Nextel platform as part of Network Vision and expect to shut-down the Nextel platform by June 30, 2013. During 2012, we focused our efforts on recapturing Nextel platform subscribers to our ongoing Sprint platform. As a result of these efforts, we successfully recaptured 55% and 33% of the postpaid and prepaid subscribers, respectively, that deactivated service from the Nextel platform during 2012. As of December 31, 2012, we had approximately 2.1 million subscribers remaining on the Nextel platform. We expect to recapture approximately 30-40% of the remaining Nextel platform subscribers on the Sprint platform. Accordingly, as we execute on the planned shut-down of the Nextel platform, we will continue to experience subscriber losses on the Nextel platform through June 30, 2013, the end of life of the Nextel platform. In addition to our focused effort on Nextel platform recaptures, we will continue to focus on the retention of existing Sprint platform subscribers as well as the acquisition of profitable subscribers to achieve growth on the Sprint platform.
The following sections, Sprint Platform Subscribers and Nextel Platform Subscribers, discuss the subscriber results by platform for each annual period in the three-year period ended December 31, 2012. This information should be read in conjunction with the prior section titled Average Monthly Service Revenue per Subscriber and Subscriber Trends.
Sprint Platform Subscribers
Retail Postpaid — During 2012, we added approximately 1.5 million net postpaid subscribers, as compared to adding 1.3 million and 734,000 net postpaid subscribers in 2011 and 2010, respectively. Of the 1.5 million additions in 2012, substantially all represented postpaid subscribers that deactivated service on the Nextel platform primarily associated with our planned shut-down of that network. Our increase in net postpaid subscribers in 2011 as compared to 2010 is primarily related to increased subscriber gross additions. Our net postpaid subscriber additions for 2011 and 2010 include approximately 508,000 and 424,000 postpaid subscribers that were previously on the Nextel platform, respectively.
Retail Prepaid — During 2012, we added 2.3 million net prepaid subscribers, as compared to adding 4.3 million and 3.6 million net prepaid subscribers in 2011 and 2010, respectively. Our decrease in net prepaid additions in 2012 as compared to 2011 was primarily due to a decline in gross subscriber additions on Assurance Wireless due to lower response rates and a lower customer application approval rate resulting from complexities associated with new federal regulations as well as an increase in churn primarily related to FCC mandated efforts to remove duplicate Lifeline accounts between carriers. Our increase in net prepaid additions in 2011 as compared to 2010 was primarily attributable to net additions from the Assurance Wireless brand primarily as a result of new market launches and increased advertising and promotions. Our net prepaid subscriber additions for 2012, 2011 and 2010 include approximately 620,000, 724,000, and 907,000 prepaid subscribers that were previously on the Nextel platform, respectively.
The federal Lifeline program under which Assurance Wireless operates requires applicants to meet certain eligibility requirements and existing subscribers must re-certify as to those requirements annually. New regulations in 2012, which impact all Lifeline carriers, impose stricter rules on the subscriber eligibility requirements and re-certification. These new regulations also required a one-time re-certification of the entire June 1, 2012 subscriber base by December 31, 2012. Subscribers who failed to respond by December 31, 2012 are subject to our prepaid churn rules as described below (or 365 days in a limited number of states). However, subscribers can re-apply prior to being deactivated and also have the ability to receive by-the-minute service at their own expense. As a result, we expect deactivations of approximately 1.3 to 1.4 million subscribers, representing approximately 30% of ending period Assurance subscribers as of December 31, 2012, which is expected to primarily impact prepaid churn for the second quarter 2013. Although we expect a significant reduction in Assurance subscribers as a result of the one-time recertification process, our rate of recertification of existing subscribers is consistent with our historical recertification rates.
Prepaid subscribers are generally deactivated between 60 and 150 days from the later of the date of initial activation or replenishment; however, prior to account deactivation, targeted retention programs can be offered to qualifying subscribers to maintain ongoing service by providing up to an additional 150 days to make a replenishment. Subscribers targeted through these retention offers are not included in the calculation of churn until their retention offer expires without a replenishment to their account. As a result, end of period prepaid subscribers

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include subscribers engaged in these retention programs, however the number of these subscribers as a percentage of our total prepaid subscriber base has remained consistent over the past four quarters.

Wholesale and Affiliate — Wholesale and affiliate subscribers represent customers that are served on our networks through companies that resell our wireless services to their subscribers, customers residing in affiliate territories and connected devices that utilize our network. Of the 8.2 million total subscribers included in wholesale and affiliates, approximately 33% represent connected devices. Wholesale and affiliate subscriber net additions were 944,000 during 2012 as compared to 2.7 million and 994,000 in 2011 and 2010, respectively, inclusive of net additions of connected devices totaling 593,000, 217,000, and 152,000 during 2012, 2011, and 2010, respectively. Wholesale and affiliate subscriber net additions declined by 1.8 million during 2012 as compared to 2011 and increased 1.7 million during 2011 as compared to 2010. The decline in wholesale and affiliate subscriber net additions during 2012 as compared to 2011 was primarily attributable to reduced subscriber net additions from the Lifeline programs offered by our MVNO's selling prepaid services as well as targeted efforts by our wholesale customers to eliminate inactive accounts. The decrease in net additions to the Lifeline programs offered by our MVNO's is primarily affected by the new federal regulations, similar to the impact on our Assurance Wireless brand in "Retail Prepaid" above. We expect the new federal regulations related to the Lifeline programs will result in additional deactivations during 2013. The increase in wholesale and affiliate subscriber net additions during 2011 as compared to 2010 was primarily driven by net additions from the Lifeline program offered through our MVNO's reselling prepaid services.

Nextel Platform Subscribers

During 2012, our postpaid subscriber base was reduced by approximately 2.7 million, of which approximately 1.5 million were recaptured on the Sprint platform. We plan to retain Nextel platform push-to-talk subscribers by providing competitive offerings on the Sprint platform, which includes offerings on our multi-mode network, such as Sprint Direct Connect. During 2012, our prepaid subscriber base was reduced by 1.5 million, of which approximately 620,000 were recaptured on the Sprint platform, as we continued the trend of prepaid subscriber losses. We expect to continue a trend of net postpaid and prepaid subscriber losses on the Nextel platform through the June 30, 2013 shut-down period.

Cost of Services

Cost of services consists primarily of:

- costs to operate and maintain our networks, including direct switch and cell site costs, such as rent, utilities, maintenance, labor 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 relation to the level and duration of those terminating calls;
- long distance costs paid to the Wireline segment;
- costs to service and repair devices;
- regulatory fees;
- roaming fees paid to other carriers; and
- fixed and variable costs relating to payments to third parties for the use of their proprietary data applications, such as messaging, music, TV, and navigation services by our subscribers.

Cost of services increased $110 million, or 1%, in 2012 compared to 2011, reflecting an increase in rent expense primarily due to the cell site leases renegotiated in 2011 in connection with Network Vision and higher backhaul costs primarily due to increased capacity. These increases were partially offset by a decrease in payments to third-party vendors for use of their proprietary data applications and premium services as a result of more favorable rates provided by contract renegotiations and a decline in long distance network costs as a result of lower market rates. In addition, service and repair costs decreased due to a decline in the volume and frequency of repairs, which is slightly offset by an increase in the cost per unit of devices utilized for service and repair due to the growth

in smartphone popularity. As we achieved the 2012 plan to take 9,600 Nextel platform cell sites off-air, utility, backhaul and rent expense related to these sites began to decline in the last half of 2012. Further reductions are expected in the second half of 2013 as we expect to recognize the full amount of lease exit costs associated with the shut-down of the remaining Nextel platform cell sites by June 30, 2013.

Cost of services increased $619 million, or 7%, in 2011 as compared to 2010 primarily reflecting increased roaming due to higher Clearwire MVNO data usage. In addition, higher service and repair costs were incurred driven by the increase in the cost per unit of new and used devices due to the growth in smartphone popularity. These increases were partially offset by a decrease in long distance network costs as a result of lower market rates and a decline in payments to third-party vendors for use of their proprietary data applications and premium services as a result of contract renegotiations, providing more favorable rates.

Equipment Net Subsidy

We recognize equipment revenue and corresponding costs of devices when title and risk of loss passes to the indirect dealer or end-use customer, assuming all other revenue recognition criteria are met. Our marketing plans assume that devices typically will be sold at prices below cost, which is consistent with industry practice. We offer certain incentives to retain and acquire subscribers such as new devices at discounted prices. The cost of these incentives is recorded as a reduction to equipment revenue upon activation of the device with a service contract.

Cost of products includes equipment costs (primarily devices and accessories), order fulfillment related expenses, and write-downs of device and accessory inventory related to shrinkage and obsolescence. Additionally, cost of products is reduced by any rebates that are earned from the equipment manufacturers. Cost of products in excess of the net revenue generated from equipment sales is referred to in the industry as equipment net subsidy. We also make incentive payments to certain indirect dealers, who purchase the iPhone® directly from Apple. Those payments are recognized as selling, general and administrative expenses when the device is activated with a Sprint service plan because Sprint does not recognize any equipment revenue or cost of products for those transactions. (See Selling, General and Administrative Expense below.)

Equipment revenue increased $337 million, or 12%, in 2012 compared to 2011 and cost of products increased $1.8 billion, or 23%, in 2012 compared to 2011. The increase in both equipment revenue and cost of products is primarily due to a higher average sales price and cost per device sold for postpaid and prepaid devices, particularly driven by the introduction of the more expensive iPhone to postpaid and prepaid subscribers, partially offset by a decline in the number of postpaid and prepaid devices sold. Equipment revenue increased $208 million, or 8%, in 2011 compared to 2010 and cost of products increased $1.1 billion, or 16%, in 2011 compared to 2010 primarily due to a higher average sales price and cost per device sold for both postpaid and prepaid devices in addition to an overall increase in the number of prepaid devices sold, partially offset by a decline in the number of postpaid devices sold. As a result of a growing number of postpaid and prepaid subscribers moving to smartphone devices, we expect the trend of increased equipment net subsidy to continue.

Selling, General and Administrative Expense

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

Sales and marketing expense was $5.3 billion, an increase of $165 million, or 3%, in 2012 from 2011 and $5.1 billion, an increase of $246 million, or 5%, in 2011 from 2010. The increase in sales and marketing expenses for the year ended December 31, 2012 as compared to the prior period is primarily due to increased reimbursements for point-of-sale discounts for iPhones of $238 million, which are directly sourced by distributors from Apple and accounted for as sales expense, partially offset by a reduction in commissions expense resulting from a shift in channel mix combined with our decrease in subscriber gross additions. Point-of-sale discounts are included in the determination of equipment net subsidy when we purchase and resell devices. The increase in sales and marketing expenses for the year ended December 31, 2011 as compared to the prior period was also due to reimbursements for

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point-of-sale discounts for iPhones, introduced in fourth quarter of 2011, as well as the additional costs associated with our increase in subscriber gross additions, slightly offset by a decrease in media spend.

General and administrative costs were approximately $4.0 billion in both 2012 and 2011 with an increase of $51 million in 2012 from 2011 and $11 million in 2011 from 2010. The majority of the increase in general and administrative costs for the year ended December 31, 2012 reflects higher employee-related costs, offset by a decrease in customer care costs primarily due to lower call volumes. The increase for the year ended December 31, 2011 reflects an increase in bad debt expense partially offset by a reduction in customer care costs as well as reductions in prepaid integration costs incurred in 2010 associated with our business acquisitions. The continued improvement in customer care costs is largely attributable to customer care quality initiatives and price plan simplification that have resulted in a reduction in calls per subscriber, which allowed for further optimization of call center resources. Bad debt expense was $541 million for the year ended December 31, 2012, representing an $11 million decrease as compared to bad debt expense of $552 million in 2011. For the year ended December 31, 2011, bad debt expense increased $129 million as compared to bad debt expense of $423 million in 2010, reflecting an increase in the aging of accounts receivable outstanding greater than 60 days combined with an increase in the average write-off per account. We reassess our allowance for doubtful accounts quarterly. Changes in our allowance for doubtful accounts are largely attributable to the analysis of historical collection experience and changes, if any, in credit policies established for subscribers. Our mix of prime postpaid subscribers to total postpaid subscribers was 82% as of December 31, 2012 and 2011.

Segment Earnings - Wireline

Wireline segment earnings are primarily a function of wireline service revenue, network and interconnection costs, and other Wireline segment operating expenses. Network costs primarily represent special access costs and interconnection costs, which generally consist of domestic and international per-minute usage fees paid to other carriers. The remaining costs associated with operating the Wireline segment include the costs to operate our customer care and billing organizations in addition to administrative support. Wireline service revenue and variable network and interconnection costs fluctuate with the changes in our customer base and their related usage, but some cost elements do not fluctuate in the short term with the changes in our customer usage. Our wireline services provided to our Wireless segment are generally accounted for based on market rates, which we believe approximate fair value. The Company generally re-establishes these rates at the beginning of each fiscal year. Over the past several years, there has been an industry wide trend of lower rates due to increased competition from other wireline and wireless communications companies as well as cable and Internet service providers. For 2013, we expect wireline segment earnings to decline by approximately $80 to $120 million to reflect changes in market prices for services provided by our Wireline segment to our Wireless segment. This decline in wireline segment earnings related to intercompany pricing will not affect our consolidated results of operations as our Wireless segment will benefit from an equivalent reduction in cost of service.

The following table provides an overview of the results of operations of our Wireline segment for the years ended December 31, 2012, 2011 and 2010.

	Year Ended December 31,		
Wireline Earnings	2012	2011	2010
	(in millions)		
Voice	$1,627	$1,915	$2,249
Data	398	460	519
Internet	1,781	1,878	2,175
Other	75	73	97
Total net service revenue	3,881	4,326	5,040
Cost of services and products	(2,781)	(3,005)	(3,319)
Service gross margin	1,100	1,321	1,721
Service gross margin percentage	28%	31%	34%

Selling, general and administrative expense	(451)	(521)	(631)
Wireline segment earnings	$649	$800	$1,090

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Wireline Revenue

Voice Revenues

Voice revenues decreased $288 million, or 15%, in 2012 as compared to 2011 and $334 million, or 15%, in 2011 as compared to 2010. The 2012 decrease was primarily driven by overall price declines of which $174 million was related to the decline in prices for the sale of services to our Wireless segment as well as volume declines due to customer churn. The 2011 decrease was also primarily driven by volume declines due to customer churn as well as overall price declines. Voice revenues generated from the sale of services to our Wireless segment represented 32% of total voice revenues in 2012 as compared to 34% in 2011 and 33% in 2010.

Data Revenues

Data revenues reflect sales of data services, primarily Private Line, and also includes ATM, frame relay and managed network services bundled with non-IP data access. Data revenues decreased $62 million, or 13%, in 2012 as compared to 2011 and $59 million, or 11%, in 2011 as compared to 2010 as a result of customer churn driven by the focus to no longer provide frame relay and ATM services in each of those periods. Data revenues generated from the provision of services to the Wireless segment represented 44% of total data revenue in 2012 as compared to 35% in 2011 and 27% in 2010.

Internet Revenues

Internet revenues reflect sales of IP-based data services, including MPLS, VoIP and SIP and managed services bundled with IP-based data access. Internet revenues decreased $97 million, or 5%, in 2012 from 2011 and $297 million, or 14%, in 2011 from 2010. Certain cable MSO's have decided to in-source their digital voice products resulting in a $98 million decrease in 2012 as compared to 2011. The 2011 decrease was primarily due to the in-sourcing of their digital voice products by certain cable MSO's, combined with a decline in prices related to the sale of services to our Wireless segment. Internet revenues generated from the provision of services to the Wireless segment represented 11% of total Internet revenues in 2012 as compared to 8% in 2011 and 10% in 2010.

Other Revenues

Other revenues, which primarily consist of sales of customer premises equipment, increased by $2 million, or 3% in 2012 as compared to 2011 and decreased $24 million, or 25%, in 2011 as compared to 2010 as a result of fewer projects in 2011.

Costs of Services and Products

Costs of services and products include access costs paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by our domestic subscribers, costs to operate and maintain our networks, and costs of equipment. Costs of services and products decreased $224 million, or 7%, in 2012 from 2011 and $314 million, or 9%, in 2011 from 2010. The decrease in 2012 and 2011 was primarily due to lower access expense as a result of savings initiatives and declining voice, data and Internet volumes. Service gross margin percentage decreased from 34% in 2010 to 31% in 2011 and further decreased to 28% in 2012 as a result of a decrease in net service revenue partially offset by a decrease in costs of services and products.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased $70 million, or 13%, in 2012 as compared to 2011 and $110 million, or 17%, in 2011 as compared 2010. The decrease in 2012 and 2011 was primarily due to a reduction in shared administrative and employee related costs required to support the Wireline segment as a result of the decline in revenue. Total selling, general and administrative expense as a percentage of net services revenue was 12% in 2012 and 2011 and 13% in 2010.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

	Year Ended December 31,		
	2012	2011	2010
	(in millions)		
Net cash provided by operating activities	$2,999	$3,691	$4,815
Net cash used in investing activities	(6,375)	(3,443)	(2,556)
Net cash provided by (used in) financing activities	4,280	26	(905)
Net change in cash	$904	$274	$1,354

Operating Activities

Net cash provided by operating activities of $3.0 billion in 2012 decreased $692 million from the same period in 2011. The decrease resulted from increases in vendor and labor-related payments of $1.5 billion, which primarily related to an increase in the average cost of postpaid and prepaid devices sold and increased cash paid for interest of $339 million primarily due to an increase in the weighted average long-term debt balance and effective interest rate. This was partially offset by increased cash received from customers of $1.1 billion primarily due to increases in postpaid ARPU and total net subscribers. Included in our vendor and labor related payments was $108 million in pension contribution payments made during 2012.

Net cash provided by operating activities of $3.7 billion in 2011 decreased by $1.1 billion from the same period in 2010. The decrease resulted from an increase in vendor and labor-related payments of $2.6 billion, which primarily related to an increase in the average cost of postpaid and prepaid devices sold and related increases in inventory, increased roaming due to higher 3G and 4G data usage, as well as $136 million in pension contribution payments. This was offset by $1.2 billion of increased cash received from customers primarily due to increases in total subscriber net additions and $310 million received for spectrum hosting. In addition, cash paid for interest decreased by $430 million, of which $395 million was associated with interest capitalization as a result of Network Vision and was reflected as an investing activity.

Investing Activities

Net cash used in investing activities for 2012 increased by $2.9 billion from 2011, primarily due to increases of $2.4 billion in purchases of short-term investments and $1.1 billion in capital expenditures, partially offset by an increase of $533 million in proceeds from sales and maturities of short-term investments. Increases in capital expenditures were primarily related to Network Vision spend, partially offset by reductions to legacy equipment spend. We also recognized $128 million in the form of a note receivable from Clearwire in 2012 as a result of the additional investment provided through our amended agreement in the fourth quarter 2011. In addition, we purchased Clearwire Corporation Class A Common Stock and Clearwire Communications LLC Class B Interests from Eagle River for $100 million in December 2012.

Net cash used in investing activities for 2011 increased by $887 million from 2010, due to increases of $480 million in purchases of short-term investments and $1.2 billion in capital expenditures. Increases in capital expenditures are related to the addition of data capacity to our wireless networks and Network Vision and also include $395 million due to the recognition of capitalized interest on qualifying activities associated with Network Vision primarily related to the carrying value of spectrum licenses not yet placed in service. These increases in use of cash were offset by increases of $825 million in proceeds from sales and maturities of short-term investments and a decrease of $201 million in expenditures associated with our obligations under the FCC Report and Order. In 2012 we also received $135 million in reimbursements from the mobile satellite service (MSS) entrants for their pro rata portion of our costs of clearing a portion of the 1.9 GHz spectrum. In addition, during the fourth quarter 2011, Sprint invested an additional $331 million in Clearwire as a result of an amendment to our agreements and Clearwire's successful offering of additional Class A shares to the market.

Financing Activities

Net cash provided by financing activities was $4.3 billion during 2012. During 2012, the Company issued debt for senior notes, guaranteed notes, convertible bonds, and had drawdowns on the secured equipment credit facility totaling, in the aggregate, approximately $9.2 billion and redeemed the remaining Nextel

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Communications, Inc. senior notes of approximately $4.8 billion (see "Liquidity and Capital Resources -Liquidity"). In addition, we incurred $134 million of debt financing costs in 2012.

Net cash provided by financing activities was $26 million during 2011. During 2011, the Company repaid certain debt obligations, including $1.65 billion of Sprint Capital Corporation 7.625% senior notes, the early redemption of $2.0 billion of Sprint Capital Corporation 8.375% senior notes and repayment of $250 million of the $750 million Export Development Canada (EDC) Facility. The reductions in debt obligations were offset by proceeds from issuances of $1.0 billion of 11.5% senior notes due 2021 and $3.0 billion of 9% guaranteed notes due 2018 in a private placement in November 2011. We also paid $86 million for debt financing costs associated with our November 2011 debt issuances and fourth quarter credit facility amendments.

Net cash used in financing activities was $905 million during 2010. Activities in 2010 included a $750 million debt payment in June 2010 and a $51 million payment for debt financing costs associated with our revolving credit facility. In addition, in the fourth quarter 2010, we exercised an option to terminate our relationship with a variable interest entity, which resulted in the repayment of financing, capital lease and other obligations of $105 million.

We received $29 million, $18 million and $8 million in 2012, 2011 and 2010, respectively, in proceeds from common share issuances, primarily resulting from exercises of employee options.

Working Capital

As of December 31, 2012, we had working capital of $4.9 billion compared to $3.8 billion as of December 31, 2011. The increase in working capital is primarily due to net debt proceeds of $4.4 billion consisting of approximately $9.2 billion in debt issuances offset by debt repayments of approximately $4.8 billion. This increase was partially offset by increases in accounts payable, increases in accrued expenses and other current liabilities, and increases to the current portion of long-term debt. The remaining change is primarily related to other activity in current assets during 2012.

Available Liquidity

As of December 31, 2012, our liquidity, including cash, cash equivalents, short-term investments, and available borrowing capacity under our revolving credit facility was $9.5 billion. Our cash, cash equivalents and short-term investments totaled $8.2 billion as of December 31, 2012 compared to $5.6 billion as of December 31, 2011. As of December 31, 2012, approximately $925 million in letters of credit were outstanding under our $2.2 billion revolving bank credit facility, including the letter of credit required by the Report and Order to reconfigure the 800 MHz band. As a result of the outstanding letters of credit, which directly reduce the availability of the revolving bank credit facility, we had $1.3 billion of borrowing capacity available under our revolving bank credit facility as of December 31, 2012. In addition, as of December 31, 2012, up to $204 million was available through May 31, 2013 under the first tranche of our secured equipment credit facility described below, although the use of such funds is limited to equipment-related purchases from Ericsson. On February 28, 2013 we entered into a new $2.8 billion unsecured revolving credit facility that expires in February 2018. This new credit facility replaced the $2.2 billion revolving credit facility that was due to expire in October 2013. The new facility includes approximately $925 million of letters of credit outstanding, resulting in approximately $1.9 billion of available borrowing capacity under this facility.

Strategic Initiatives

Apple Contract

Our commitment with Apple to purchase a minimum number of smartphones, which on average, carry a higher subsidy per unit than other smartphones we sell, has had, and will continue to have, an expected increase in cash outflow and reduction in operating income in the earlier years of the contract until such time as we may recover the acquisition costs through subscriber revenue consistent with our initial forecast when we launched the iPhone. We continue to believe the effect of the iPhone, given the significance of its expected positive effect on gross additions and upgrades, will reduce contribution margin in the near term. These estimates are subject to significant judgment and include assumptions such as product mix, expected improvements in customer churn, and smartphone sales volume, which are difficult to predict and actual results may differ significantly compared to our estimates.

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Network Capital Expenditures

In October 2011, we announced our intention to accelerate the timeline associated with Network Vision. In addition to Network Vision, we are currently experiencing rapid growth in data usage driven by more subscribers on the Sprint platform and a continuing shift in our subscriber base to smartphones, which requires additional capital for legacy equipment to meet our customers' needs and to maintain customer satisfaction. Our accelerated timeline coupled with our capital needs to maintain and operate our existing infrastructure are expected to require substantial amounts of additional capital expenditures during the period of deployment. In addition to our expectation of increased capital expenditures, we also expect network operating expenditures to increase during the Network Vision deployment period, as well as expected cash requirements to meet existing obligations associated with the decommissioning of the Nextel platform.

SoftBank Transaction

On October 15, 2012, we entered into the Merger Agreement for the SoftBank Merger. In addition, on October 15, 2012, Sprint and SoftBank entered into the Bond Agreement.

Bond Agreement

Pursuant to the Bond Agreement, on October 22, 2012, Sprint issued a convertible bond (Bond) to New Sprint with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019, which is convertible into 590,476,190 shares of Sprint common stock at $5.25 per share, or approximately 16.4% upon conversion of the Bond (based on Sprint common shares outstanding as of December 31, 2012), subject to adjustment in accordance with the terms of the Bond Agreement. Interest on the Bond will be due and payable in cash semiannually in arrears on April 15 and October 15 of each year, commencing on April 15, 2013. Upon receipt of regulatory approval, the Bond will be converted into Sprint shares immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement. Conversion of the Bond is subject in any case to receipt of any required approvals and, subject to certain exceptions, receipt of waivers under the Company's existing credit facilities. Subject to certain exceptions, SoftBank may not transfer the Bond without Sprint's consent.

Merger Agreement

Upon consummation of the SoftBank Merger, which is subject to various conditions, including Sprint stockholder and regulatory approval, SoftBank will fund New Sprint with additional capital of approximately $17.0 billion, of which approximately $12.1 billion will be distributed to Sprint stockholders as merger consideration with the remaining $4.9 billion held in the cash balance of New Sprint for general corporate purposes, including but not limited to the Clearwire Acquisition. Pursuant to the terms and subject to the conditions described in the Merger Agreement, upon consummation of the SoftBank Merger, outstanding shares of Sprint common stock, except as otherwise provided for in the Merger Agreement, will be converted, at the election of Sprint stockholders, into (i) cash in an amount equal to $7.30 for each share of Sprint common stock or (ii) one share of New Sprint common stock for each share of Sprint common stock, subject in each case to proration such that a stockholder may receive a combination of cash and New Sprint common stock.

Upon consummation of the SoftBank Merger, SoftBank will receive a five-year warrant to purchase 54,579,924 shares in New Sprint at $5.25 per share which would yield approximately $300 million in proceeds upon exercise.

Upon consummation of the SoftBank Merger, (i) Sprint will become a wholly-owned subsidiary of New Sprint, (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former stockholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank Merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's stockholders, and is expected to close in mid-2013.

Under the terms of the EDC facility and the secured equipment credit facility consummation of the SoftBank Merger would constitute a change of control that would require repayment of all outstanding balances thereunder. Amounts outstanding under the EDC facility and secured equipment credit facility, which were approximately $796 million in the aggregate at December 31, 2012, would become due and payable at the time of closing. Sprint is currently in discussions with the existing lenders under the EDC and the secured equipment credit facility and intends to amend these facilities to, among other things, exclude the SoftBank Merger from the change of control provisions.

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As of the date the Merger Agreement was entered into, approximately $8.8 billion of our senior notes and guaranteed notes provided holders with the right to require us to repurchase the notes if a change of control triggering event (as defined in our indentures and supplemental indentures governing applicable notes) occurred, which included both a change of control and a ratings decline of the applicable notes by each of Moody's Investor Services and Standard & Poor's Rating Services. On November 20, 2012, Sprint announced that it had obtained the necessary consents to amend the applicable provisions of the outstanding indentures such that the SoftBank Merger would not constitute a change of control and, as a result, indebtedness outstanding under Sprint's applicable indentures will not become payable by reason of completion of the SoftBank Merger.

Acquisition of Assets from U.S. Cellular

On November 6, 2012, Sprint entered into a definitive agreement with U.S. Cellular to acquire PCS spectrum and approximately 585,000 customers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint has agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets. These costs are expected to range from $130 million to $150 million on a net present value basis, but in no event will Sprint's reimbursement obligation exceed $200 million on an undiscounted basis. The additional spectrum will be used to supplement Sprint's coverage in these areas. Sprint and U.S. Cellular will enter into transition services agreements as a condition to closing of the acquisition which will outline the terms of services to be provided by U.S. Cellular during the period after closing and prior to the transfer of the acquired customers to Sprint's network. The transaction is subject to customary regulatory approvals and is expected to close in mid-2013.

Clearwire

In January 2012, Clearwire issued a $150 million note receivable to us with a stated interest rate of 11.5% as a result of the additional investment provided to Clearwire through our amended agreement in the fourth quarter 2011. The note receivable matures in two installments of $75 million plus accrued interest in January 2013 and in January 2014. Sprint, at its sole discretion, can choose to offset any amounts payable by Clearwire under this promissory note against amounts owed by Sprint under the MVNO agreement, and this action was taken for the installment due in January 2013.

On December 17, 2012, Sprint entered into a merger agreement with Clearwire Corporation to acquire all of the remaining equity interests of Clearwire Corporation that Sprint does not currently own for approximately $2.2 billion in cash, or $2.97 per share (Clearwire Acquisition). In connection with the Clearwire Acquisition, Clearwire Corporation and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be exchangeable for Clearwire common stock at $1.50 per share, subject to certain conditions and subject to adjustment. Under the financing agreements, Sprint has agreed to purchase $80 million of exchangeable notes per month for up to ten months beginning in January 2013, with some of the monthly purchases subject to certain funding conditions, including conditions relating to approval of the Clearwire Acquisition by Clearwire's shareholders and the parties agreeing to a network build out plan. On January 31, 2013 Sprint and Clearwire entered into an amendment to the financing agreement which extended the date the parties were to agree to a network build out plan from January 31, 2013 to February 28, 2013. The Clearwire Acquisition is subject to customary regulatory approvals, is contingent on the consummation of the SoftBank Merger, and is expected to close in mid-2013.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

The Clearwire Acquisition does not accelerate any of the stated maturity dates of Clearwire's debt; however, holders of Clearwire's Exchangeable Notes will have the right to require Clearwire to repurchase all of the Exchangeable Notes at an amount equal to 100% of the principal amount, plus any unpaid accrued interest at the repurchase date. If all holders required Clearwire to repurchase the Exchangeable Notes, the total principal payment would be approximately $629 million.

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Long-Term Debt and Scheduled Maturities

The following debt issuances and redemptions occurred during 2012:

	Date	Interest rate	Maturity	Amount (in millions)
Issuances:				
Senior notes	March 2012	9.125%	2017	$1,000
Guaranteed notes	March 2012	7.000%	2020	1,000
Secured equipment credit facility(1)	May 2012	2.030%	2017	296
Senior notes	August 2012	7.000%	2020	1,500
Convertible bond	October 2012	1.000%	2019	3,100
Senior notes	November 2012	6.000%	2022	2,280
Total issuances				9,176
Redemptions:				
Serial redeemable senior notes	June 2012	6.875%	2013	$1,000
Serial redeemable senior notes	August 2012	6.875%	2013	473
Serial redeemable senior notes	August 2012	7.375%	2015	1,027
Serial redeemable senior notes	November 2012	7.375%	2015	1,110
Serial redeemable senior notes	November 2012	5.950%	2014	1,170
Total redemptions				4,780

(1) In May 2012, certain of our subsidiaries entered into a $1.0 billion secured equipment credit facility that expires in March 2017 to finance equipment-related purchases from Ericsson for Network Vision. The facility is secured by a lien on the equipment purchased and is fully and unconditionally guaranteed by Sprint Nextel Corporation, the parent corporation. The facility is equally divided into two consecutive tranches of $500 million, with drawdown availability contingent upon our equipment-related purchases from Ericsson, up to the maximum of each tranche, ending on May 31, 2013 and May 31, 2014, for the first and second tranche, respectively. Repayments of outstanding amounts on the secured equipment credit facility cannot be re-drawn. The cost of funds under this facility includes a fixed interest rate of 2.03%, and export credit agency premiums and other fees that, in total, equate to an expected effective interest rate of approximately 6% based on assumptions such as timing and amounts of drawdowns. As of December 31, 2012, the Company had borrowing capacity of $204 million under the first tranche of our secured equipment credit facility.

The following graph depicts our future principal maturities of debt as of December 31, 2012:

* This table includes the $3.1 billion 1% convertible bond that is convertible into Sprint common stock upon consummation of the SoftBank merger, which will otherwise mature in 2019, and excludes (i) our prior revolving bank credit facility, which was due to expire in October 2013 and had no outstanding balance, (ii) our new revolving credit facility, which will expire in 2018, (iii) $925 million in letters of credit outstanding under the prior revolving bank credit facility, (iv) any undrawn, available credit under our secured equipment credit facility, which will mature in 2017, and (v) all capital leases and other financing obligations.

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Liquidity and Capital Resource Requirements

To meet our short- and long-term liquidity requirements, we look to a variety of funding sources. Our existing liquidity balance and cash generated from operating activities is our primary source of funding. In addition to cash flows from operating activities, we rely on the ability to issue debt and equity securities, the ability to issue other forms of financing, and the borrowing capacity available under our credit facilities, to support our short- and long-term liquidity requirements. However, we are currently precluded from issuing any equity securities under the SoftBank Merger. We believe our existing available liquidity and cash flows from operations will be sufficient to meet our funding requirements through the next 12 months, including debt service requirements and other significant future contractual obligations. To maintain an adequate amount of available liquidity and execute according to the timeline of our current business plan, which includes Network Vision, subscriber growth, expected usage profiles of smartphone customers and the expected achievement of a cost structure intended to achieve more competitive margins, we may need to raise additional funds from external resources. If we are unable to fund our remaining capital needs from external resources on terms acceptable to us, we would need to modify our existing business plan, which could adversely affect our expectation of long-term benefits to results from operations and cash flows from operations.

The terms and conditions of our new revolving bank credit facility, which expires in February 2018, require that the ratio (Leverage Ratio) of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and other non-recurring items, as defined by the credit facility (adjusted EBITDA), not exceed 6.25 to 1.0 through June 30, 2014. Subsequent to June 30, 2014 the Leverage Ratio declines on a scheduled basis, as determined by the credit agreement, until the ratio becomes fixed at 4.0 to 1.0 for the fiscal quarter ended December 31, 2016 and each fiscal quarter ending thereafter.

The Company is currently engaged in discussions with our existing lenders for both the EDC and secured equipment credit facility and intends to modify the terms to, among other things, provide covenant compliance ratio requirements that are similar to those required under our new revolving bank credit facility and exclude the SoftBank Merger from the change of control provisions. If we are unsuccessful in our efforts, we would be required to pay all amounts outstanding under these facilities upon the consummation of the SoftBank Merger. Additionally, although we expect to remain in compliance with the covenants under our new revolving credit and secured equipment credit facilities through the next twelve months, our leverage ratio under the EDC facility is more restrictive. To the extent we are unsuccessful in our efforts to amend the EDC facility; we have both the ability and intent to pay off all amounts outstanding, totaling $500 million as of December 31, 2012. As of December 31, 2012 and 2011, our Leverage Ratio, as defined by the EDC agreement and prior revolving credit facility, was 3.7 to 1.0.

In determining our expectation of future funding needs in the next 12 months and beyond, we have made several assumptions regarding:

- projected revenues and expenses relating to our operations;
- continued availability of our revolving bank credit facility in the amount of $2.8 billion, which expires in February 2018;
- anticipated levels and timing of capital expenditures, including the capacity and upgrading of our networks and the deployment of new technologies in our networks, and FCC license acquisitions;
- anticipated payments under the Report and Order, as supplemented;
- any additional contributions we may make to our pension plan;
- scheduled principal payments of $366 million;
- payment of $480 million to acquire certain assets of U.S. Cellular;
- additional financing in the form of exchangeable notes to Clearwire not to exceed Sprint's minimum contractual commitment; and
- other future contractual obligations, including decommissioning obligations associated with Network Vision, and general corporate expenditures.

Due to the significance and uncertainty of timing related to the SoftBank Merger and the Clearwire Acquisition, the cashflows from these proposed transactions have not yet been fully taken into consideration in the future funding needs outlined above. Consummation of the transactions is expected to occur in close proximity pending shareholder and regulatory approval for both transactions; however, the Company cannot predict whether both, or either, transactions will be consummated or the timing of such consummation. Upon consummation we

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expect to receive $4.9 billion from SoftBank's purchase of New Sprint common stock of which a portion of the funds may be used for the following items that we would expect to occur in conjunction with the proposed transactions:

- acquisition of the remaining equity interests of Clearwire Corporation that Sprint does not currently own for approximately $2.2 billion;
- payment of any outstanding balances of our EDC facility and secured equipment facility, which become due upon a change of control and totaled $796 million as of December 31, 2012; and/or
- any optional repurchase requirement of the holders of the Clearwire Exchangeable Notes, which could result in a principal repayment of up to $629 million.

Although these additional cash outflows are currently expected to occur upon consummation of the proposed transactions, we have approximately $1.9 billion available under our new revolving credit facility as of February 28, 2013, in addition to the $4.9 billion capital contribution to be received from SoftBank, and we expect to renegotiate our existing EDC and secured equipment credit facilities prior to consummation.

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

As of December 31, 2012, Moody's Investor Service, Standard & Poor's Ratings Services, and Fitch Ratings had assigned the following credit ratings to certain of our outstanding obligations:

			Rating		
Rating Agency	Issuer Rating	Unsecured Notes	Guaranteed Notes	Bank Credit Facility	Outlook
Moody's	B1	B3	Ba3	Ba1	Review for Upgrade
Standard and Poor's	B+	B+	BB-	-	Review for Upgrade
Fitch	B+	B+	BB	BB	Review for Upgrade

Downgrades of our current ratings alone do not accelerate scheduled principal payments of our existing debt. However, downgrades may cause us to incur higher interest costs on our credit facilities and future borrowings, if any, and could negatively impact our access to the capital markets.

A default under any of our borrowings could trigger defaults under our other debt obligations, which in turn could result in the maturities being accelerated. Certain indentures that govern our outstanding notes also require compliance with various covenants, including covenants that limit the Company's ability to sell all or substantially all of its assets, covenants that limit the ability of the Company and its subsidiaries to incur indebtedness, and covenants that limit the ability of the Company and its subsidiaries to incur liens, as defined by the terms of the indentures. As of December 31, 2012, we own a 50.4% economic interest in Clearwire. As a result, Clearwire could be considered a subsidiary under certain agreements relating to our indebtedness. Whether Clearwire could be considered a subsidiary under our debt agreements is subject to interpretation. However, Sprint does maintain the right to unilaterally surrender voting securities to reduce its voting security percentage below 50%, which could eliminate the potential for Clearwire to be considered a subsidiary of Sprint. Certain actions or defaults by Clearwire would, if viewed as a subsidiary, result in a breach of covenants, including potential cross-default provisions, under certain agreements relating to our indebtedness. We believe the unilateral rights significantly mitigate the possibility of an event that would cross-default against Sprint's debt obligations. However, upon consummation of the Clearwire Acquisition, Clearwire will be considered a subsidiary of Sprint. Under our new revolving bank credit facility, we are currently restricted from paying cash dividends because our ratio of total indebtedness to adjusted EBITDA exceeds 2.5 to 1.0.

CURRENT BUSINESS OUTLOOK

The Company expects 2013 consolidated segment earnings to be between $5.2 billion and $5.5 billion.

The above discussion is subject to the risks and other cautionary and qualifying factors set forth under “Forward-Looking Statements” and Part I, Item 1A “Risk Factors” in this report.

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FUTURE CONTRACTUAL OBLIGATIONS

The following table sets forth our current estimates as to the amounts and timing of contractual payments as of December 31, 2012. Future events, including additional purchases of our securities and refinancing of those securities, could cause actual payments to differ significantly from these amounts. See “Forward-Looking Statements” and Item 1A, “Risk Factors."

Future Contractual Obligations	Total	2013	2014	2015	2016	2017	2018 and thereafter
	(in millions)						
Notes, credit facilities and debentures(1)	$38,125	$1,948	$1,820	$2,136	$3,600	$3,699	$24,922
Capital leases and financing obligation(2)	1,603	99	87	83	86	86	1,162
Operating leases(3)	15,666	1,880	1,863	1,668	1,542	1,437	7,276
Purchase orders and other commitments(4)(5)	30,464	17,464	5,357	4,798	1,046	643	1,156
Total	$85,858	$21,391	$9,127	$8,685	$6,274	$5,865	$34,516

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(1) Includes outstanding principal and estimated interest payments. Interest payments are based on management's expectations for future interest rates.

(2) Represents capital lease payments including interest and financing obligation related to the sale and subsequent leaseback of multiple tower sites.

(3) Includes future lease payments related to cell and switch sites, real estate, network equipment and office space.

(4) Includes service, spectrum, network capacity and other executory contracts including our contract with Apple. Excludes blanket purchase orders in the amount of $24 million. See below for further discussion.

(5) Includes the $800 million of additional financing for Clearwire during 2013. (see Liquidity and Capital Resources).

“Purchase orders and other commitments” include minimum purchases we commit to purchase from suppliers over time and/or the unconditional purchase obligations where we guarantee to make a minimum payment to suppliers for goods and services regardless of whether we take delivery. These amounts do not represent our entire anticipated purchases in the future, but generally represent only our estimate of those items for which we are committed. Our estimates are based on assumptions about the variable components of the contracts such as hours contracted, number of subscribers, pricing, and other factors. In addition, we are party to various arrangements that are conditional in nature and create an obligation to make payments only upon the occurrence of certain events, such as the delivery of functioning software or products. Because it is not possible to predict the timing or amounts that may be due under these conditional arrangements, no such amounts have been included in the table above. The table above also excludes approximately $24 million of blanket purchase order amounts since their agreement terms are not specified. No time frame is set for these purchase orders and they are not legally binding. As a result, they are not firm commitments. Our liability for uncertain tax positions was $171 million as of December 31, 2012. Due to the inherent uncertainty of the timing of the resolution of the underlying tax positions, it is not practicable to assign this liability to any particular year(s) in the table.

The table above does not include remaining costs to be paid in connection with the fulfillment of our obligations under the Report and Order. The Report and Order requires us to make a payment to the U.S. Treasury at the conclusion of the band reconfiguration process to the extent that the value of the 1.9 GHz spectrum we received exceeds the total of the value of licenses for spectrum in the 700 MHz and 800 MHz bands that we surrendered under the decision plus the actual costs, or qualifying costs, that we incur to retune incumbents and our own facilities. From the inception of the program through December 31, 2012, we have incurred approximately $3.2 billion of costs directly attributable to the spectrum reconfiguration program. This amount does not include any of our internal network costs that we have preliminarily allocated to the reconfiguration program for capacity sites and modifications for which we may request credit under the reconfiguration program. We estimate, based on our experience to date with the reconfiguration program and on information currently available, that our total direct costs attributable to complete the spectrum reconfigurations will range between $3.6 and $3.7 billion. Accordingly, we believe that it is unlikely that we will be required to make a payment to the U.S. Treasury.

OFF-BALANCE SHEET FINANCING
We do not participate in, or secure, financings for any unconsolidated, special purpose entities.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Sprint applies those accounting policies that management believes best reflect the underlying business and economic events, consistent with accounting principles generally accepted in the United States. Sprint's more critical accounting policies include those related to the basis of presentation, allowance for doubtful accounts, valuation and recoverability of our equity method investment in Clearwire, valuation and recoverability of long-lived assets, and evaluation of goodwill and indefinite-lived assets for impairment. Inherent in such policies are certain key assumptions and estimates made by management. Management regularly updates its estimates used in the preparation of the financial statements based on its latest assessment of the current and projected business and general economic environment. These critical accounting policies have been discussed with Sprint's Board of Directors. Sprint's significant accounting policies are summarized in the Notes to the Consolidated Financial Statements.

Basis of Presentation

The consolidated financial statements include the accounts of Sprint and its consolidated subsidiaries. Investments where Sprint maintains majority ownership, but lacks full decision making ability over all major issues, are accounted for using the equity method. Governance for Sprint's major unconsolidated investment, Clearwire, is based on Clearwire board representation for which Sprint does not have the ability to control the actions of Clearwire.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses that result from failure of our subscribers to make required payments. Our estimate of the allowance for doubtful accounts considers a number of factors, including collection experience, aging of the accounts receivable portfolios, credit quality of the subscriber base, and other qualitative considerations. To the extent that actual loss experience differs significantly from historical trends, the required allowance amounts could differ from our estimate. A 10% change in the amount estimated to be uncollectible would result in a corresponding change in bad debt expense of approximately $18 million for the Wireless segment and $1 million for the Wireline segment.

Valuation and Recoverability of our Equity Method Investment in Clearwire

We assess our equity method investment for other-than-temporary impairment when indicators such as decline in quoted prices in active markets indicate a value below the carrying value of our investment. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of decline in market prices; the ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of Clearwire; specific events, and other factors.

At each financial reporting measurement date, we evaluate the excess, if any, of Sprint's carrying value over the estimated fair value of our investment in Clearwire to determine if such excess, an implied unrealized loss, is other-than-temporary. Our evaluation considers, among other things, Clearwire's market capitalization, volatility associated with Clearwire's common stock, and the duration of a decline in Clearwire's average trading stock price below Sprint's carrying value. Our evaluation also considers tax benefits associated with our Class B non-voting common interests in Clearwire Communications LLC, governance rights, and our expectation of the duration of our ongoing relationship, as well as other factors. The carrying value of our equity method investment in Clearwire as of December 31, 2012 totaled approximately $674 million. Each $0.10 per share change in the value of Clearwire's traded stock price results in a $73.9 million change in the estimated fair value of our equity investment based on Sprint's equity interest as of December 31, 2012.

Valuation and Recoverability of Long-lived Assets

Long-lived assets consist primarily of property, plant and equipment and intangible assets subject to amortization. Changes in technology or in our intended use of these assets, as well as changes in economic or industry factors or in our business or prospects, may cause the estimated period of use or the value of these assets to change.

Property, plant and equipment are generally depreciated on a straight-line basis over estimated economic useful lives. Certain network assets are depreciated using the group life method. Depreciable life studies are performed periodically to confirm the appropriateness of depreciable lives for certain categories of property, plant and equipment. These studies take into account actual usage, physical wear and tear, replacement history and

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assumptions about technology evolution. When these factors indicate that an asset's useful life is different from the previous assessment, we depreciate the remaining book values prospectively over the adjusted remaining estimated useful life. Depreciation rates for assets using the group life method are revised periodically as required under this method. Changes made as a result of depreciable life studies and rate changes generally do not have a material effect on depreciation expense.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived asset groups were determined based upon certain factors including assessing the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the total of the expected undiscounted future cash flows is less than the carrying amount of our assets, a loss is recognized for the difference between the estimated fair value and carrying value of the assets. Impairment analyses, when performed, are based on our current business and technology strategy, views of growth rates for our business, anticipated future economic and regulatory conditions and expected technological availability. Our estimate of undiscounted cash flows exceeded the carrying value of these assets by more than 10%. If we continue to have operational challenges, including retaining and attracting subscribers, future cash flows of the Company may not be sufficient to recover the carrying value of our wireless asset group, and we could record asset impairments that are material to Sprint's consolidated results of operations and financial condition.

In addition to the analysis described above, certain assets that have not yet been deployed in the business, including network equipment, cell site development costs and software in development, are periodically assessed to determine recoverability. Network equipment and cell site development costs are expensed whenever events or changes in circumstances cause the Company to conclude the assets are no longer needed to meet management's strategic network plans and will not be deployed. Software development costs are expensed when it is no longer probable that the software project will be deployed. Network equipment that has been removed from the network is also periodically assessed to determine recoverability. In connection with Network Vision, including the decommissioning of the Nextel platform, management may conclude in future periods that certain equipment will never be either deployed or redeployed, in which case non-cash charges that could be material to our consolidated financial statements would be recognized. Refer to Results of Operations for additional information on asset impairments.

Evaluation of Goodwill and Indefinite-Lived Intangible Assets for Impairment

Goodwill represents the excess of purchase price paid over the fair value assigned to the net tangible and identifiable intangible assets of acquired businesses. Sprint evaluates the carrying value of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying amount may exceed estimated fair value. Our analysis includes a comparison of the estimated fair value of the reporting unit to which goodwill applies to the carrying value, including goodwill, of that reporting unit.

We regularly assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and/or slower growth rates, among others. Any adverse change in these factors could result in an impairment up to the carrying value of our goodwill, which was $359 million as of December 31, 2012.

The Company recognizes that our market capitalization, the product of our traded stock price and shares outstanding, is subject to volatility and, during certain periods, has been below our shareholders' equity book value. Accordingly we monitor changes in our market capitalization between annual impairment tests to determine whether declines, if any, should necessitate an interim review of goodwill for impairment. We consider a decline in our market capitalization that corresponds to an overall deterioration in stock market conditions to be less of an indicator of goodwill impairment than a unilateral decline in our market capitalization, which could result from adverse changes in our underlying operating performance, cash flows, financial condition and/or liquidity. In the event that our market capitalization does decline below its book value, we consider the length and severity of the decline and the reasons for the decline when assessing whether a potential goodwill impairment exists. We believe that short-term fluctuations in share price may not necessarily reflect underlying aggregate fair value of our segments, which are our reporting units. If a decline in our market capitalization below book value persists for an extended period of

time, we would likely consider the decline to be indicative of a decline in the estimated fair value at the reporting unit level.

Differences in the Company's actual future cash flows, operating results, growth rates, capital expenditures, cost of capital and discount rates as compared to the estimates utilized for the purpose of estimating the fair value of each reporting unit, as well as a decline in the Company's stock price and related market capitalization, could affect the results of our annual goodwill assessment and, accordingly, potentially lead to a future goodwill impairment.

The determination of the estimated fair value of the wireless reporting unit requires significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, transactions within the wireless industry and related control premiums, discount rate, terminal growth rates, operating income before depreciation and amortization (OIBDA) and capital expenditures forecasts. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates. The merits of each significant assumption, both individually and in the aggregate, used to estimate the fair value of a reporting unit are evaluated for reasonableness. A decline in the estimated fair value of our wireless reporting unit of 10% would not result in an impairment of our goodwill.

Our FCC licenses and our Sprint and Boost Mobile trademarks have been identified as indefinite-lived intangible assets, in addition to goodwill, after considering the expected use of the assets, the regulatory and economic environment within which they are being used, and the effects of obsolescence on their use. At least annually, Sprint assesses the recoverability of other indefinite-lived intangibles, including FCC licenses which are carried as a single unit of accounting. In assessing recoverability of FCC licenses, we estimate the fair value of such licenses using the Greenfield direct value method, which approximates value through estimating the discounted future cash flows of a hypothetical start-up business. Assumptions key in estimating fair value under this method include, but are not limited to, capital expenditures, subscriber activations and deactivations, market share achieved, tax rates in effect and discount rate. A one percent decline in our assumed revenue growth rate used to estimate terminal value, a one percent decline in our assumed net cash flows or a one percent adverse change in any of the key assumptions referred to above would not result in an impairment of our FCC licenses as of the most recent testing date. A decline in the estimated fair value of FCC licenses of approximately 10% also would not result in an impairment of the carrying value.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which resulted in common requirements for measuring fair value and for disclosing information about fair value measurement under both U.S. GAAP and International Financial Reporting Standards (IFRS), including a consistent definition of the term "fair value." The amendments were effective beginning in the first quarter 2012, and did not have a material effect on our consolidated financial statements.

In December 2011, the FASB issued authoritative guidance regarding Disclosures about Offsetting Assets and Liabilities, which requires common disclosure requirements to allow investors to better compare and assess the effect of offsetting arrangements on financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The standard will be effective beginning in the first quarter of 2013, requires retrospective application, and will only affect disclosures in the footnotes to the financial statements. In October 2012, the FASB tentatively decided to limit the scope of this authoritative guidance to derivatives, repurchase agreements, and securities lending and securities borrowing arrangements. In January 2013, the FASB issued additional clarifying guidance which limited the scope of the disclosure requirements to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in U.S. GAAP or subject to a master netting arrangement or similar agreement. Based on the proposed scope revision, we do not expect this authoritative guidance to impact our existing disclosures.

In July 2012, the FASB issued authoritative guidance regarding Testing Indefinite-Lived Intangible Assets for Impairment, which is intended to reduce the cost and complexity of the annual impairment test for indefinite-lived intangible assets by providing entities with the option of performing an elective qualitative assessment to determine whether further impairment testing is necessary. The standard will be effective for annual and interim indefinite-lived intangible asset impairment tests performed beginning the first quarter of 2013, with early adoption

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permitted under certain circumstances. We early adopted the provisions of this standard as part of our annual assessment of indefinite-lived intangible assets with no effect on our financial statements.

FINANCIAL STRATEGIES

General Risk Management Policies

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

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

FORWARD-LOOKING STATEMENTS

We include certain estimates, projections and other forward-looking statements in our annual, quarterly and current reports, and in other publicly available material. Statements regarding expectations, including performance assumptions and estimates relating to capital requirements, as well as other statements that are not historical facts, are forward-looking statements.

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

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

- our ability to retain and attract subscribers and to manage credit risks associated with our subscribers;
- the ability of our competitors to offer products and services at lower prices due to lower cost structures;
- the uncertainties related to our proposed transactions with SoftBank and Clearwire;
- the uncertainties related to certain restrictions placed on Sprint under the Merger Agreement with SoftBank;
- the effects of vigorous competition on a highly penetrated market, including the impact of competition on the price we are able to charge subscribers for services and equipment we provide and on the geographic areas served by Sprint's wireless networks; the impact of equipment net subsidy costs; the impact of increased purchase commitments; the overall demand for our service offerings, including the impact of decisions of new or existing subscribers between our postpaid and prepaid service offerings and between our two network platforms; and the impact of new, emerging and competing technologies on our business;
- our ability to provide the desired mix of integrated services to our subscribers;
- the ability to generate sufficient cash flow to fully implement our network modernization plan, Network Vision, to improve and enhance our networks and service offerings, improve our operating margins, implement our business strategies and provide competitive new technologies;
- the effective implementation of Network Vision, including timing, execution, technologies, costs, and performance of our network;
- our ability to retain Nextel platform subscribers on the Sprint platform and mitigate related increases in churn;

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- our ability to access additional spectrum capacity, including through Clearwire;
- changes in available technology and the effects of such changes, including product substitutions and deployment costs;
- our ability to obtain additional financing on terms acceptable to us, or at all;
- volatility in the trading price of our common stock and expected volatility in the trading price of New Sprint common stock after consummation of the SoftBank Merger, current economic conditions and our ability to access capital;
- the impact of unrelated parties not meeting our business requirements, including a significant adverse change in the ability or willingness of such parties to provide devices or infrastructure equipment for our networks;
- the costs and business risks associated with providing new services and entering new geographic markets;
- the financial performance of Clearwire and its ability to fund, build, operate, and maintain its 4G network, including an LTE network;
- the compatibility of Sprint's LTE network with Clearwire's LTE network;
- the effects of mergers and consolidations and new entrants in the communications industry and unexpected announcements or developments from others in the communications industry;
- unexpected results of litigation filed against us or our suppliers or vendors;
- the impact of adverse network performance;
- the costs or potential customer impacts of compliance with regulatory mandates including, but not limited to, compliance with the FCC's Report and Order to reconfigure the 800 MHz band and government regulation regarding "net neutrality" and conflict minerals;
- equipment failure, natural disasters, terrorist acts or other breaches of network or information technology security;
- one or more of the markets in which we compete being impacted by changes in political, economic or other factors such as monetary policy, legal and regulatory changes, or other external factors over which we have no control; and
- other risks referenced from time to time in this report and other filings of ours with the Securities and Exchange Commission (SEC).

The words “may,” “could,” "should," “estimate,” “project,” “forecast,” “intend,” “expect,” "anticipate," “believe,” “target,” “pl “providing guidance” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are found throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report. Readers are cautioned that other factors, although not listed above, could also materially affect our future performance and operating results. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. We are not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this report, including unforeseen events.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

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

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About 96% of our debt as of December 31, 2012 was fixed-rate debt. While changes in interest rates impact the fair value of this debt, there is no impact to earnings and cash flows because we intend to hold these obligations to maturity unless market and other conditions are favorable.

We perform interest rate sensitivity analyses on our variable rate debt. These analyses indicate that a one percentage point change in interest rates would have an annual pre-tax impact of $10 million on our consolidated statements of operations and cash flows for the year ended December 31, 2012. We also perform a sensitivity analysis on the fair market value of our outstanding debt. A 10% decline in market interest rates would cause an $844 million increase in the fair market value of our debt to $29.3 billion.

Foreign Currency Risk

We may enter into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Our foreign exchange risk management program focuses on reducing transaction exposure to optimize consolidated cash flow. We use foreign currency derivatives to hedge our foreign currency exposure related to settlement of international telecommunications access charges and the operation of our international subsidiaries. The dollar equivalent of our net foreign currency receivables from international settlements was $26 million and the net foreign currency receivables from international operations was less than $1 million as of December 31, 2012. The potential immediate pre-tax loss to us that would result from a hypothetical 10% change in foreign currency exchange rates based on these positions would be less than $3 million.

Equity Risk

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

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

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements required by this item begin on page F-1 of this annual report on Form 10-K and are incorporated herein by reference. The financial statements of Clearwire, as required under Regulation S-X, are included in Item 15 of this annual report on Form 10-K and incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

In connection with the preparation of this Annual Report on Form 10-K, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the disclosure controls and procedures were effective as of December 31, 2012 in providing reasonable assurance that information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and in providing reasonable assurance that the information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

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Internal controls over our financial reporting continue to be updated as necessary to accommodate modifications to our business processes and accounting procedures. There have been no changes in our internal control over financial reporting that occurred during the fourth quarter 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

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

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2012. This assessment was based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on this assessment, management believes that, as of December 31, 2012, our internal control over financial reporting was effective.

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

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The names of our directors and executive officers and their ages, positions, and biographies as of February 28, 2013 are set forth below. Our executive officers are appointed by and serve at the discretion of our board of directors. There are no family relationships among any of our directors or executive officers.

Director and Executive Officer

Name	Experience	Director Since	Age
Daniel R. Hesse	President and Chief Executive Officer of Sprint Nextel. Before becoming the President and Chief Executive Officer of Sprint Nextel on December 17, 2007, Mr. Hesse was Chairman, President, and Chief Executive Officer of Embarq Corporation. He served as Chief Executive Officer of Sprint's Local Telecommunications Division from June 2005 until the Embarq spin-off in May 2006. Before that, Mr. Hesse served as Chairman, President and Chief Executive Officer of Terabeam Corp., a wireless telecommunications service provider and technology company, from 2000-2004. Prior to serving at Terabeam Corp., Mr. Hesse spent 23 years at AT&T during which he held various senior management positions, including President and Chief Executive Officer of AT&T Wireless Services. He serves on the board of directors of the National Board of Governors of the Boys and Girls Clubs of America and the University of Notre Dame's Mendoza School of Business. He previously served on the board of directors of Clearwire Corporation, Nokia Corporation and VF Corporation.	2007	59

Executive Officers

Name	Experience	Current Position Held Since	Age
Joseph J. Euteneuer	Chief Financial Officer. He was appointed Chief Financial Officer in April 2011. Mr. Euteneuer served as Executive Vice President and Chief Financial Officer of Qwest, a wireline telecom company, from September 12, 2008 until April 2011. Previously, Mr. Euteneuer served as Executive Vice President and Chief Financial Officer of XM Satellite Radio Holdings Inc., a satellite radio provider, from 2002 until September 2008 after it merged with SIRIUS Satellite Radio, Inc. Prior to joining XM, Mr. Euteneuer held various management positions at Comcast Corporation and its subsidiary, Broadnet Europe.	2011	57
Robert L. Johnson	Chief Service and Information Technology Officer. He has served as Chief Service Officer since October 2007 and his role was expanded to Chief Service and Information Technology Officer in August 2011. 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	2011	54

Field Operations of Nextel from February 2002 to July 2005.

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Name	Experience	Current Position Held Since	Age
Paget L. Alves	Chief Sales Officer. He has served as Chief Sales Officer since January 2012. Prior to that, he served as President - Business Markets from February 2009 through January 2012. He served as President - Sales and Distribution from March 2008 through 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 Market from November 2003 through January 2006.	2012	58
William M. Malloy	Chief Marketing Officer. Mr. Malloy has served as Chief Marketing Officer since September 2011. Mr. Malloy has more than 30 years of experience in senior operating roles with marketing, media and wireless companies ranging from start-up ventures to large corporate entities. Prior to joining Sprint, he was a venture partner with Ignition Partners, a venture capital firm based in Seattle. He joined Ignition in 2002 and was a member of the firm's wireless communications team. In addition to working on early-stage investments, he represented the firm from 2004 through 2009 as chairman and CEO of Sparkplug Communications, a company created from within Ignition that later merged with Airband Communications. Prior to Ignition, he served as CEO of two Internet companies, Peapod and Worldstream Communications, and served in different capacities at McCaw Cellular and AT&T Wireless.	2011	60
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	57
Matthew Carter	President - Global Wholesale and Emerging Solutions. He was appointed President - 4G in January 2010, and his role has changed to include Wholesale and Emerging Solutions. 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	51
Charles R. Wunsch	Senior Vice President, General Counsel and Corporate Secretary. He was appointed Senior Vice President, General Counsel and	2008	57

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.

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Name	Experience	Current Position Held Since	Age
Michael C. Schwartz	Senior Vice President - Corporate and Business Development. He was appointed Senior Vice President - Corporate and Business Development on January 2, 2013. Mr. Schwartz served as as Vice President, Marketing, Corporate Development and Regulatory at Telesat Canada, a satellite communications company, from 2007 to 2012. Previously, Mr. Schwartz served as Senior Vice President of Marketing and Corporate Development of SES New Skies, a satellite company. Prior to joining SES New Skies, he served as Chief Development and Financial Officer of Terabeam Corporation, responsible for business and corporate development as well as financial operations.	2013	48
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 global chemical manufacturing company, from January 2004 through January 2009, where he held various executive level finance and accounting positions in the United States and Europe, including Controller - European Operations.	2009	41

Directors

Name	Experience	Director since	Age
Robert R. Bennett	Managing Director of Hilltop Investments, LLC, a private investment company. Mr. Bennett served as President of Discovery Holding Company from March 2005 until September 2008, when the company merged with Discovery Communications, Inc., creating a new public company. Mr. Bennett also served as President and CEO of Liberty Media Corporation (now Liberty Interactive Corporation) from April 1997 until August 2005 and continued as President until February 2006. He was with Liberty Media from its inception, serving as its principal financial officer and in various other capacities. Prior to his tenure at Liberty Media, Mr. Bennett worked with Tele-Communications, Inc. and the Bank of New York. Mr. Bennett currently serves as a director of Discovery Communications, Inc., Demand Media, Inc., and Liberty Media Corporation. Mr. Bennett previously served on the board of directors of Liberty Interactive Corporation and Discovery Holding Company.	2006	54
Gordon M. Bethune	Retired Chairman and Chief Executive Officer of Continental Airlines, Inc., an international commercial airline company. He served as Chief Executive Officer of Continental Airlines from 1994 and as Chairman and Chief Executive Officer from 1996 until December 30, 2004. He is currently a director of Honeywell International Inc. and Prudential Financial, Inc. He previously served on the board of directors of Willis Group Holdings, Ltd.	2004	71

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Name	Experience	Director since	Age
Larry C. Glasscock	Retired Chairman of the Board of WellPoint, Inc., a health benefits company. Mr. Glasscock served as President and Chief Executive Officer of WellPoint, Inc. from November 2004 (following the merger between Anthem, Inc. and WellPoint Health Networks Inc.) until June 2007 and as Chairman of WellPoint, Inc. from November 2005 until March 2010. Prior to Anthem's merger with WellPoint Health Networks in November 2004, Mr. Glasscock served as Anthem's President and Chief Executive Officer since 2001 and also as Anthem's Chairman since 2003. He is currently a director of Simon Property Group, Inc., Sysco Corporation and Zimmer Holdings, Inc. He previously served on the board of directors of WellPoint, Inc.	2007	64
James H. Hance	Chairman of the Board of Sprint Nextel. Mr. Hance serves as a Senior Advisor to The Carlyle Group. He served as the Vice Chairman of Bank of America Corporation from 1993 until his retirement on January 31, 2005 and as the Chief Financial Officer of Bank of America Corporation from 1988 until April 2004. He is a director of Cousins Properties Incorporated, Duke Energy Corporation, Ford Motor Company and The Carlyle Group. He previously served on the Board of Directors of Rayonier Corporation, Morgan Stanley and EnPro Industries, Inc.	2005	68
V. Janet Hill	Principal, Hill Family Advisors. In 2010, Mrs. Hill retired from Alexander & Associates, Inc., a corporate consulting firm, after serving as a Vice President since 1981. Mrs. Hill also serves as a director of The Carlyle Group, The Wendy's Company, and Dean Foods, Inc.	2005	63
Frank Ianna	Former Chief Executive Officer and Director, Attila Technologies LLC, a Technogenesis Company incubated at Stevens Institute of Technology. Mr. Ianna retired from AT&T in 2003 after a 31-year career serving in various executive positions, most recently as President of Network Services. Following his retirement, Mr. Ianna served as a business consultant, executive and board member for several private and nonprofit enterprises. Mr. Ianna is a director of Tellabs, Inc. Mr. Ianna previously served on the board of directors of Clearwire Corporation.	2009	63
Sven-Christer Nilsson	Owner and Founder, Ripasso AB, Ängelholm, Sweden, a private business advisory company. Mr. Nilsson serves as an advisor and board member for companies throughout the world. He previously served in various executive positions for The Ericsson Group from 1982 through 1999, including as its President and Chief Executive Officer from 1998 through 1999. Mr. Nilsson is a director of Ripasso AB, Magle Life Science AB, Ceva, Inc. and Assa Abloy AB. He also serves as chariman for the (Swedish) Defense Materiel Administration. Mr. Nilsson previously served on the board of directors of TeliaSonera AB and Tilgin AB. Mr. Nilsson is a fellow of the Royal Swedish Academy of Engineering Sciences and of the Royal Academy of War Sciences.	2008	68

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Name	Experience	Director since	Age
William R. Nuti	Chairman of the Board, Chief Executive Officer and President of NCR Corporation, a global technology company. Mr. Nuti has served as Chief Executive Officer and President of NCR since August 2005, and as Chairman of NCR since October 2007. Before joining NCR, Mr. Nuti had served as President and Chief Executive Officer of Symbol Technologies, Inc. from 2003 to 2005, and as President and Chief Operating Officer of Symbol Technologies from 2002 to 2003. Mr. Nuti joined Symbol Technologies in 2002 following more than 10 years at Cisco Systems, where he advanced to the dual role of senior vice president of the company's Worldwide Service Provider Operations and senior vice president of U.S. Theater Operations. Mr. Nuti previously served on the board of directors of Symbol Technologies, Inc.	2008	49
Rodney O'Neal	Chief Executive Officer, President and board member of Delphi Automotive PLC, a global supplier of mobile electronics and transportation systems since 2007. He began his career at General Motors (GM) in 1971 as a student at General Motors Institute (currently Kettering University) and moved through the company in a number of engineering and manufacturing positions. In 1997, Mr. O'Neal was elected a GM Vice President and named general manager of Delphi Interior Systems. Later, after Delphi became an independent company following its spinoff from GM in 1999, Mr. O'Neal continued in leadership roles, including as president of Delphi's Dynamics, Propulsion and Thermal Sector in 2003 and as president and chief operating officer in 2005. In January 2007, he was named to his current position as chief executive officer of the leading global supplier of electronics and technologies for automotive, commercial vehicle and other market segments. He previously served on the board of directors of Goodyear Tire and Rubber Company.	2007	59

In evaluating prospective candidates or current board members for nomination, the Nominating and Corporate Governance Committee, or Nominating Committee, considers all factors it deems relevant, including, but not limited to, the candidate's:

- character, including reputation for personal integrity and adherence to high ethical standards;
- judgment;
- knowledge and experience in leading a successful company, business unit or other institution;
- independence from our company;
- ability to contribute diverse views and perspectives;
- business acumen; and
- ability and willingness to devote the time and attention necessary to be an effective director - all in the context of an assessment of the needs of our board at that point in time.

The Nominating Committee reviews with our board the appropriate characteristics and background needed for directors. This review is undertaken not only in considering new candidates for board membership, but also in determining whether to nominate existing directors for another term. The Nominating Committee determines the current director selection criteria and conducts searches for prospective directors whose skills and attributes reflect these criteria. To assist in the recruitment of new members to our board, the Nominating Committee employs one or more third-party search firms. All approvals of nominations are determined by the full board.

Consistent with our Corporate Governance Guidelines, the Nominating Committee places a great deal of importance on identifying candidates having a variety of views and perspectives arising out of their individual experiences, professional expertise, educational background, and skills. In considering candidates for our board, the Nominating Committee considers the totality of each candidate's credentials in the context of this standard.

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It is the policy of the Nominating Committee also to consider candidates recommended by shareholders, using the same key factors described above for purposes of its evaluation. A shareholder who wishes to recommend a prospective nominee for our board should notify the Corporate Secretary in writing with supporting material that the shareholder considers appropriate. The Nominating Committee will also consider whether to nominate any person nominated by a shareholder pursuant to the provisions of our bylaws relating to shareholder nominations that permit shareholders to nominate directors for election at an annual shareholder meeting. To nominate a director, the shareholder must deliver the information required by our bylaws.

The Nominating Committee and the board believe that the above-mentioned attributes, along with the leadership skills and other experience of our board members described below, provide us with a diverse range of perspectives and judgment necessary to guide our strategies and monitor their execution.

- Mr. Bennett has extensive knowledge of the capital markets and other financial and operational issues from his experiences as a principal financial officer and president and chief executive officer of Liberty Media, which allows him to provide an invaluable perspective to our board's discussions on financial and operational matters.
- Mr. Bethune has extensive experience serving as a chief executive officer and director of large international corporations, which provides our board a perspective of someone familiar with all facets of an international enterprise.
- Mr. Glasscock's prior experience as the chairman, president and chief executive officer of WellPoint, Inc. and its predecessor companies, during which time the companies grew from approximately $6 billion in revenue to more than $60 billion in revenue, provides a unique insight into the challenges and opportunities involved in growing a company within a highly competitive industry. His expertise derived from over 20 years of experience in financial services, as a senior executive and director, enables him to provide invaluable assistance to our board on financial and marketing matters. Throughout his career, Mr. Glasscock has developed expertise in the successful completion and integration of mergers, utilization of technology to improve productivity and customer service, and team building and human capital development. Mr. Glasscock also has significant experience as a public company director and as a member of various committees related to important board functions, including audit, finance, governance and compensation.
- Mr. Hance's experience as a director for a wide variety of large corporations and his extensive experience in the financial services industry, which included responsibility for financial and accounting matters while serving as chief financial officer of Bank of America Corporation, provide an invaluable perspective into the diverse issues facing an international enterprise, particularly relating to financial matters.
- Mr. Hesse, as our President and Chief Executive Officer, provides our board with unparalleled insight into our company's operations, and his 35 years of experience in the telecommunications industry provides substantial knowledge of the challenges and opportunities facing our company.
- Mrs. Hill's significant experience as a consultant to and director of large commercial enterprises provides our board with the keen insight of someone whose expertise is advising companies on the governance and operational challenges facing international consumer companies.
- Mr. Ianna's technical background and expertise, and his vast experience in the telecommunications industry as an executive and director for a diverse array of enterprises allows him to provide a unique perspective to our board on a wide variety of issues.
- Mr. Nilsson provides his perspective on global business leadership as former chief executive officer and president of The Ericsson Group. He also provides insights as a successful technology entrepreneur and has in-depth knowledge of the telecommunications industry.
- Mr. Nuti, as a current chairman and chief executive officer of a global technology company, provides our board an invaluable perspective of someone with primary responsibility for the oversight of all facets of an international enterprise in today's global economy.

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- Mr. O'Neal has extensive senior management experience as both a chief executive officer and director, which provides the knowledge and expertise necessary to contribute an important viewpoint on a wide variety of governance and operational issues.

Executive Sessions

Sprint's non-management directors meet in regularly scheduled executive sessions without any management participation by officers or employee directors. These executive sessions are currently held either before, after or otherwise in conjunction with the board's regularly scheduled, physically-held meetings each year. Additional executive sessions can be scheduled at the request of the non-management directors.

The director who presides over the executive sessions of the board is its chairman, Mr. Hance. The committee chairperson chairs the executive sessions of his or her committee. If that chairman or committee chairperson is not present, another independent director will be chosen by the executive session to preside.

Audit Committee

Sprint has a separately-designated standing Audit Committee established in accordance with the requirements of the Exchange Act. The primary purpose of the Audit Committee is to assist our board in fulfilling its oversight responsibilities with respect to:

- the integrity of our financial statements and related disclosures, as well as related accounting and financial reporting processes;
- our compliance with legal and regulatory requirements;
- our independent registered public accounting firm's qualifications, independence, audit and review scope, and performance;
- the audit scope and performance of our internal audit function;
- our ethics and compliance program; and
- our enterprise risk management program.

The Audit Committee also has sole authority for the appointment, retention, termination, compensation, evaluation and oversight of our independent registered public accounting firm. The committee's principal responsibilities in serving these functions are described in the Audit Committee Charter, which is available at www.sprint.com/governance.

The Chair of the Audit Committee is Mr. Glasscock. The other members are Messrs. Bennett, Hance and Ianna. Each of the members is financially literate and able to devote sufficient time to serving on the Audit Committee. Our board has determined that each of the Audit Committee members is an independent director under the independence requirements established by our board and the NYSE corporate governance standards. Our board has also determined that Messrs. Bennett, Glasscock, Ianna, and Hance each possess the qualifications of an "audit committee financial expert" as defined in the SEC rules.

Committee Charters

Our standing committees are our Audit Committee, Compensation Committee, Executive Committee, Finance Committee, and Nominating and Corporate Governance Committee. Each of our standing committees has a charter that describes such committee's primary functions. A current copy of our Corporate Governance Guidelines and the charter for each standing committee of our board is available at www.sprint.com/governance or by email at shareholder.relations@sprint.com. Our charters and our Corporate Governance Guidelines were adopted by our board and are annually reviewed and revised as necessary.

Code of Ethics

Our code of ethics, The Sprint Nextel Code of Conduct, is available at www.sprint.com/governance or by email at shareholder.relations@sprint.com. It describes the ethical and legal responsibilities of directors and employees of our company and our subsidiaries, including senior financial officers and executive officers.

All of our directors and employees (including all senior financial officers and executive officers) are required to comply with The Sprint Nextel Code of Conduct. In support of the ethics code, we have provided employees with a number of avenues for the reporting of potential ethics violations or similar concerns or to seek

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guidance on ethics matters, including a 24/7 telephone helpline. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by our employees of any concerns regarding questionable financial and non-financial matters to the Ethics Helpline at 1-800-788-7844, by mail to the Audit Committee, c/o Sprint Nextel Corporation, 6200 Sprint Parkway, Overland Park, KS 66251, KSOPHF0302-3B424, or by email to boardinquiries@sprint.com. Our Chief Ethics Officer reports regularly to the Audit Committee and annually to the entire board on our ethics and compliance program.

Board Communications

We value the views of our stakeholders. Consistent with this approach, our board has established a system to receive, track and respond to communications from stakeholders addressed to our board or to our outside directors. A statement regarding our board communications policy is available at www.sprint.com/governance. Any stakeholder who wishes to communicate with our board or our outside directors may write to our General Counsel, Senior Vice President and Corporate Secretary, who is our Board Communications Designee, at the following address: Sprint Nextel Corporation, 6200 Sprint Parkway, Overland Park, KS 66251, KSOPHF0302-3B424, or send an email to boardinquiries@sprint.com. Our board has instructed the Board Communications Designee to examine incoming communications and forward to our board, or individual directors as appropriate, communications deemed relevant to our board's roles and responsibilities. Our board has requested that certain types of communications not be forwarded, and redirected if appropriate, such as: spam, business solicitations or advertisements, resumes or employment inquiries, service complaints or inquiries, surveys, or any threatening or hostile materials. The Board Communications Designee will review all appropriate communications and report on the communications to the chair of or the full Nominating Committee, the full board, or the outside directors, as appropriate. The Board Communications Designee will take additional action or respond to letters in accordance with instructions from the relevant board source. Communications relating to accounting, internal accounting controls, or auditing matters will be referred promptly to members of the Audit Committee in accordance with our policy on communications with our board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC and the NYSE initial reports of beneficial ownership and reports of changes in beneficial ownership of our shares and other equity securities. These people are required by the SEC regulations to furnish us with copies of all Section 16(a) reports they file, and we make these reports available at www.sprint.com/investors/sec.

To our knowledge, based solely on a review of the copies of these reports furnished to us and written representations that no other reports were required, during 2012 all Section 16(a) filing requirements applicable to our directors, executive officers and beneficial owners of more than 10% of our equity securities were met.

Item 11. Executive Compensation

Compensation Discussion and Analysis

This compensation discussion and analysis describes and analyzes our compensation program for our named executive officers for 2012, who were: Daniel R. Hesse, President and CEO; Joseph J. Euteneuer, CFO; Keith O. Cowan, President, Strategic Planning and Corporate Initiatives; Steven L. Elfman, President, Network Operations and Wholesale; and Robert L. Johnson, Chief Service and Information Technology Officer.

Compensation Overview

Philosophy and Objectives of Our Executive Compensation Program

- Attract and retain qualified and experienced executives by providing base salaries, target incentives, and benefits that are market competitive and require that a large portion of total compensation is earned over a multi-year period and subject to forfeiture to the extent that vesting requirements and performance objectives are not met.
- Pay for performance by tying a substantial portion of our executives' compensation opportunities directly to our performance through short- and long-term incentive compensation plans that include performance

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objectives most critical to driving our continued financial and operational improvement and long-term shareholder value.

- Align compensation with shareholder interests by structuring our compensation programs to align executive interests with those of our shareholders, mitigate the possibility that our executives undertake excessively risky business strategies, and adhere to corporate governance best practices.

Components of Our Executive Compensation Program

The major components of our executive compensation program are base salary, our short-term incentive compensation (STIC) plan, and our long-term incentive compensation (LTIC) plan. The base salary and target opportunities under the STIC and LTIC plans for our named executive officers in 2012 are listed below.

	Base Salary	STIC Plan	LTIC Plan
Hesse[1]	$853,777	$2,040,000	$10,000,000
Euteneuer	$775,000	$1,007,500	$3,500,000
Cowan[2]	$725,000	$906,250	$2,500,000
Elfman	$650,000	$812,500	$3,250,000
Johnson[3]	$540,000	$540,000	$1,500,000

(1) The compensation elements shown for Mr. Hesse in this table reflect the reductions agreed to in his May 4, 2012 letter as previously disclosed in Sprint's Current Report on Form 8-K filed on May 4, 2012.
(2) As previously announced, Mr. Cowan left the Company effective January 2, 2013.
(3) Amounts shown reflect base salary and STIC target opportunity effective June 30, 2012.

Numerous changes were made to the primary components of our overall executive compensation program in 2012 to better align with recognized market “best practices” and to ensure that the program strongly supported our overall business objectives. These changes included:

- Adoption of a single three-year performance measurement period in our LTIC plan for 2012 performance units and performance-based restricted stock units (RSUs) in lieu of three one-year performance periods as was used in our LTIC plans for 2010 and 2011. This change emphasized and provided incentives for performance over the long term.
- Addition of an operational objective to the 2012 LTIC plan to provide incentives for exceptional deployment of Network Vision, Sprint's multi-year network infrastructure initiative intended to provide subscribers with an enhanced network experience by improving voice quality, coverage, and data speeds, while enhancing network flexibility, reducing operating costs, and improving environmental sustainability through the utilization of multiple spectrum bands onto a single multi-mode base station.
- Adoption of a single one-year performance measurement period in our STIC plan for 2012 in lieu of two six-month performance periods as was used in our STIC plans for 2010 and 2011.

2012 Performance—Delivering on the Sprint Turnaround

We continue to execute on our plan to accomplish Sprint's turnaround in three phases: (1) Phase One, the recovery and strengthening of our business; (2) Phase Two, the investment phase; and (3) Phase Three, margin expansion.

In 2012, we transitioned from the recovery phase to the investment phase which made 2012 perhaps the most pivotal and challenging year in Sprint's turnaround. There were two dominant headlines for Sprint's executive compensation story in 2012. First, Sprint generated excellent returns for our stockholders. Sprint's total shareholder return in 2012 of 142% was the second highest among the companies making up the S&P 500. Accordingly, our executives, who have a significant portion of their incentive compensation tied to Sprint equity, stand to share in future realizable compensation gains if they remain with Sprint. Second, we set challenging objectives and goals in 2012 as Sprint entered the investment phase of our turnaround. These included aggressive targets on Network Vision Deployment. As detailed below, not withstanding the progress we made in 2012, the setting of very aggressive performance goals against these objectives resulted in below target payouts for our performance units and performance-based RSUs in our LTIC plan.

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Phase One

Through unrelenting focus on improving the customer experience, strengthening the brand and generating cash, we successfully completed Phase One in 2011. Since the beginning of our turnaround efforts through the completion of Phase One, we increased net subscriber additions, total service revenue, customer satisfaction and brand health. Our accomplishments in Phase One continued into 2012 with full year consolidated operating revenue of $35.3 billion, the highest since 2008, rising postpaid average revenue per subscriber or user (ARPU), and continued accolades on our brand and customer experience.

Phase Two

As we moved to Phase Two, our 2012 executive compensation program provided strong incentives for executives to remain focused on improving the customer experience, strengthening the brand, and generating cash, while also concentrating on investment for future growth. During 2012, we made investments in Network Vision and launched 15 4G LTE devices including the iPhone® 5, Apple iPAD mini® and iPAD® with Retina display.

2012 STIC Plan

Our STIC plan is our annual cash bonus plan, which is intended to ensure that annual bonuses are tied to the successful achievement of critical operating and financial objectives that are the leading drivers of sustainable increases in shareholder value. The table below summarizes our key priorities in 2012, the metrics selected in support of these priorities, and the rationale for why each was chosen by the Compensation Committee.

Priority	Objective	Rationale
Customer Experience	Postpaid subscriber churn, which is a measure of our ability to retain our customers who pay for their wireless service on a contract basis, typically for one- or two-year periods.	Measures the degree to which we retain our most profitable customers.
Strengthening our Brand	Total Net Additions, which is a measure of the new wireless customers we gain, net of deactivations.	Measures the degree to which we have attracted new customers to our brands.
Generating Cash	Adjusted OIBDA, which means Adjusted Operating Income Before Depreciation and Amortization less severance, exit costs and other special items.	Measures our ability to generate cash and profit, which are critical to our ability to invest in our business and service our debt.

The Compensation Committee approved the aggregate payout percentage for the 2012 STIC plan at 100.7% of the target award opportunity for all eligible employees, including our named executive officers. Our STIC plan objectives, targets, and actual results are summarized in the table below.

Objective	Weight	Target	Actual Results	Percent Payout
Postpaid Subscriber Churn	30%	1.95%	2.02%	69%
Total Net Additions	30%	4,526,000	(15,000)	0%
Adjusted OIBDA	40%	$4.2 billion	$4.8 billion	200%
			Total Payout	100.7%

In establishing the weighting among the three STIC plan objectives, the Compensation Committee assigned the highest weighting to Adjusted OIBDA. This was to emphasize and provide incentives to enhance operating performance and cash flow critically necessary for continued investment in Phase Two of our turnaround.

We underperformed in 2012 on the challenging targets the Compensation Committee set for postpaid churn and total net subscriber additions. However, a significant portion of our iPhone sales were to new postpaid customers, and we retained 55% of Nextel platform subscribers as we continue our rapid shut-down of the Nextel platform in a highly competitive environment. We did not fully deploy the iPad, a highly desirable device that we believe creates an ability to acquire and retain subscribers, until the fourth quarter of 2012. However, we substantially outperformed our Adjusted OIBDA target, which included our first full year of iPhone sales.

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2012 LTIC Plan

Our LTIC plan is designed to encourage retention, linking payment of performance-based awards to achievement of financial and operational objectives critical to our long-term success, and granting equity awards to directly link executive interests with those of our shareholders. In 2012, we granted three types of awards under our LTIC plan:

- Performance units—Each unit has a value of $1.00, and executives earn a cash payout that vests on December 31, 2014 and will be paid in the 1st Quarter of 2015, with cash payouts ranging from 0% to 150% based on achievement of predetermined performance objectives during a single three-year performance period of 2012-2014.
- Performance-based RSUs—RSUs vest on the third anniversary of the grant date, with vesting conditioned on achievement of predetermined performance objectives during a single three-year performance period of 2012-2014.
- Stock options—Non-qualified stock options vest ratably on each of the three anniversaries of the grant date with an exercise price equal to the fair market value (closing price on the NYSE) of our stock on the grant date. To determine the number of stock options to be delivered under the 2012 LTIC plan, we used a Black-Scholes valuation model discussed below in footnote 3 to the 2012 Summary Compensation Table.

With respect to the performance units and performance-based RSUs, the Compensation Committee selected objectives to support our turnaround efforts, including the investment phase, as described below.

Priority	Objective	Rationale
Generating Cash	Net service revenue	Measures the degree to which we have grown annual revenue, which is the key to driving long-term growth in profitability.
	Free cash flow, which is the cash provided by our operating activities less the cash used in our investing activities other than short-term investments and equity method investments during the applicable period.	Measures our ability to generate cash, which is critical to our ability to invest in our business and service our debt.
Strengthening our Brand	Network Vision Deployment, measured by the number of Network Vision cell sites on air by the end of the performance period.	Measures our progress toward enhancing our network experience for our customers while reducing operating costs and improving environmental sustainability.

Our performance units and performance-based RSUs granted in 2012 set performance objectives and targets over a single three-year period covering 2012, 2013 and 2014. However, in 2010 and 2011, our LTIC plan grants of performance units and performance-based RSUs were allocated one-third to each of three annual performance periods. For the 2012 annual performance period for performance units granted in 2010 and 2011, the Compensation Committee approved the aggregate payout percentage as compared to targeted opportunity for our executives at approximately 71.35%. The Compensation Committee approved the payout percentage for 2012 for the performance-based RSUs at 66.7%.

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Our LTIC plan objectives, targets, and actual results for 2012 for the performance units were as follows:

Free Cash Flow Performance Target (in millions)			Net Service Revenue Performance Target (in millions)			Network Vision Deployment		
Weight	Target ($)	Actual ($)	Weight	Target ($)	Actual ($)	Weight	Target	Actual
33.4%	(3,774)	(1,449)	33.3%	32,821	32,097	33.3%	12,967	6,144

Our LTIC plan objectives, targets, and actual results for 2012 for the performance-based RSUs were as follows:

Free Cash Flow Performance Target (in millions)			Net Service Revenue Performance Target (in millions)			Network Vision Deployment		
Weight	Target ($)	Actual ($)	Weight	Target ($)	Actual ($)	Weight	Target	Actual
33.4%	(4,704)	(1,449)	33.3%	31,321	32,097	33.3%	11,022	6,144

In establishing the weighting among the three LTIC plan objectives, the Compensation Committee assigned equal weightings to Free Cash Flow, Net Service Revenue, and Network Vision Deployment. While Network Vision Deployment was a critical objective as part of our investment phase, the Committee also emphasized and provided an incentive for us to grow top-line revenues, and drive cash flow, which are also critical as we move through Phase Two.

Because the payout for the performance-based RSUs is capped at 100% and there is no graduated scale for partial payout for performance below target, the Compensation Committee set the Free Cash Flow, Net Service Revenue, and Network Vision Deployment targets at lower but still meaningful levels as compared to the performance units.

We exceeded the target amounts set for Free Cash Flow for both performance units and performance-based RSUs. With respect to Net Service Revenue, we slightly exceeded target amounts set for performance-based RSUs and were slightly below target amounts set for performance units. Despite our marked improvements in brand strength noted above, we remain approximately one calendar quarter behind in Network Vision Deployment as a result of delays from vendors related to logistics execution and material shortages, as well as delays due to the hurricane in the third quarter of 2012. Because we failed to meet the minimum payout threshold under the Network Vision Deployment objective, each of our named executive officers forfeited approximately one third of the performance-based RSUs granted under the LTIC plan for each of 2010 and 2011 as follows:

	2010 Performance-based RSUs Forfeited	2011 Performance-based RSUs Forfeited
Hesse	92,244	107,115
Euteneuer[1]	—	25,448
Cowan	23,061	18,750
Elfman	27,673	24,375
Johnson	11,807	10,500

(1) Mr. Euteneuer commenced employment with the Company effective April 4, 2011 and therefore was not eligible to receive (and did not forfeit) any performance-based RSUs granted under the LTIC plan for 2010.

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CEO Realized Compensation

To better illustrate comparisons of pay to performance, it is helpful to consider realizable pay rather than the compensation shown in the summary compensation table. The graph below shows the realizable pay for Mr. Hesse during his tenure with Sprint expressed as a percentage of his target compensation. For the calculation of realizable pay:

- Stock options are valued at the actual gains realized at exercise, or if outstanding at December 31, 2012 at intrinsic value (i.e., the excess of the value per share of Sprint stock at December 31, 2012 over the exercise price multiplied by shares underlying the option);
- RSUs are valued based on the value at vesting, or December 31, 2012 if not vested, with adjustment for forfeiture for failure to achieve any performance vesting conditions for completed performance period (we assume target performance for performance periods that were not complete at December 31, 2012); and
- Compensation repaid or forfeited is included, as described in Sprint's Current Report on Form 8-K filed on May 4, 2012.

Corporate Governance Highlights

We endeavor to maintain good governance standards, including with respect to our executive compensation practices. Several highlights are listed below:

- We have stock ownership guidelines and a clawback policy.
- Our named executive officers receive few perquisites, entitlements or elements of non-performance-based compensation, except for market-competitive salaries and modest benefits that are comparable to those provided to all employees.
- Our severance benefits are positioned conservatively relative to market practices, with no benefit in excess of two times base salary plus bonus, change-in-control benefits payable only upon a “double-trigger” qualified termination, and no golden parachute excise tax gross-ups.
- The Compensation Committee retains an independent advisor that performs no other work for the Company.

Setting Executive Compensation

Role of Compensation Consultant and Executive Officers

The Compensation Committee has retained Frederic W. Cook & Co., Inc., or Cook, as its independent compensation consultant. Cook provides no services to us other than advisory services for executive and director compensation and has no other relationships with the Company. Cook works with management only at the request

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and under the direction of the Compensation Committee and only on matters for which the Compensation Committee has oversight responsibility.

To ensure independence, the Compensation Committee has a policy regarding executive compensation consultants that codifies this relationship. Representatives of Cook attend Compensation Committee meetings at the Compensation Committee's request and provide guidance to the Compensation Committee on a variety of compensation issues. The primary point of contact at Cook frequently communicates with the chair of the Compensation Committee and interacts with all Compensation Committee members without management present. Cook has reviewed the compensation components and levels for our named executive officers and advised the Compensation Committee on the appropriateness of our compensation programs, including our incentive and equity-based compensation plans, retention incentives and proposed employment agreements, as these matters arose during the year. The Compensation Committee has directed that Cook provide this advice taking into account our overall executive compensation philosophy as described above. Cook prepares benchmarking data discussed below, reviews the results with the Compensation Committee, and provides recommendations and an opinion on the reasonableness of new compensation plans, programs and arrangements.

In addition to its ongoing support of the Compensation Committee and continuous advice on compensation design, levels and emerging market practices, Cook periodically conducts a comprehensive review of our overall executive compensation program, including direct and indirect elements of compensation, to ensure that the program operates in support of our short- and long-term financial and strategic objectives and that it aligns with evolving corporate governance “best practices.” Cook last completed such a comprehensive study in 2010 and found that, overall, the program supported our specific business and human resource objectives, including unique issues related to our rapidly evolving turn-around initiatives. In both 2011 and 2012, Cook leveraged the findings from this comprehensive study and worked closely with the Compensation Committee to ensure that our variable compensation plans continued to evolve in a manner that ensured appropriate focus on both our short- and long-term financial and strategic objectives as we work through Phase Two of our turnaround efforts.

Our CEO periodically discusses the design of and makes recommendations with respect to our compensation programs and the compensation levels of our other named executive officers and certain key personnel with the Compensation Committee. Our CEO does not make recommendations to the Compensation Committee with regard to his own compensation; rather, Cook provides the Compensation Committee with an annual report on CEO compensation and a range of alternatives with regard to potential changes.

Process for Setting Executive Compensation

The Compensation Committee annually reviews the compensation packages of our named executive officers in the form of “tally sheets.” These tally sheets value each component of compensation and benefits, including a summary of the outstanding equity holdings of each named executive officer as of year-end and the value of such holdings at various assumed stock prices. The tally sheets also set forth the estimated value that each of our named executive officers would realize upon termination under various scenarios.

The Compensation Committee uses these tally sheets when considering adjustments to base salaries and awards of equity-based or other remuneration and in establishing incentive plan target opportunity levels as follows:

- comparing each named executive officer's total compensation against a similar position in our peer group;
- understanding the impact of decisions on each individual element of compensation on total compensation for each named executive officer;
- evaluating total compensation of each named executive officer from an internal equity perspective; and
- assuring that equity compensation represents a portion of each named executive officer's total compensation that is in line with our philosophy of motivating the executives to align their interests with our shareholders.

Although the Compensation Committee reviews and considers the amounts realizable by our named executive officers under different termination scenarios, including those in connection with a change in control, as well as the current equity-based award holdings, these are not the primary considerations in the assessment and determination of annual compensation for our named executive officers.

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Use of Benchmarking Data

To assist in setting total compensation levels that are reasonably competitive, the Compensation Committee annually reviews market trends in executive compensation and a competitive analysis prepared by Cook. This information is derived from the most recent proxy statement data of companies in a peer group of telecommunications and high-technology companies and, where limited in its functional position match to our executives, is supplemented with data on our peer group from a published compensation survey prepared by Towers Watson of approximately 80 participating all industry companies with revenues exceeding $4 billion.

Taking into consideration the recommendation of Cook, the Compensation Committee determines companies for our peer group based on similarity of their business model and product offerings as well as comparability from a size perspective, including annual revenue, market capitalization, net income, enterprise value and number of employees. For example, our revenue is above the median of our peer group while our enterprise value is below the median. The Compensation Committee approved the use of the following 12 companies for its 2012 executive compensation benchmarking analysis:

AT&T, Inc., CenturyLink, Inc., Comcast Corporation, Computer Sciences Corporation, Dell Inc., DIRECTV, Motorola Solutions, Inc., Qualcomm Incorporated, Texas Instruments Incorporated, Time Warner Cable, Inc., Verizon Communications Inc., and Xerox Corporation.

In August of 2011, we made the following changes to our peer group that was used in our 2012 executive compensation decisions: removed Hewlett-Packard Company from our peer group given its dissimilarity of operations and size to Sprint; replaced Motorola with Motorola Solutions, Inc.; and replaced Time Warner, Inc. with Time Warner Cable, Inc. as the latters' operations are more similar to Sprint's.

The Compensation Committee does not follow a specific formula in making its pay decisions, but rather uses benchmarks as a frame of reference and generally targets total compensation at the median of our peer group to reflect our relative position within it. Based on performance against predetermined goals and changes in total shareholder return over time, this approach results in an opportunity to earn total payouts above median market rates for over-achievement and below the median for under-achievement relative to the peer group. The Compensation Committee exercises its judgment by taking into consideration a multitude of other important factors such as experience, individual performance, and internal pay equity in setting target compensation levels, but actual payouts under our variable incentive plans are primarily determined based on formulaic outcomes. With respect to our named executive officers' total targeted compensation for 2012, Messrs. Elfman and Euteneuer were above the median, and the remaining named executive officers, including our CEO, were below the median.

Primary Components of Executive Compensation

What follows is a discussion and analysis of the primary elements of our 2012 named executive officer compensation program.

Base Salary

Base salary is designed to attract and retain executives. Our named executive officers' salaries are based on a number of factors, including the nature, responsibilities and reporting relationships of the position, individual performance of the executive, salary levels for incumbents in comparable positions at peer companies, as well as other executives within our organization, and experience and tenure of the executive. To minimize fixed costs during our turnaround and emphasize variable, performance-based compensation, the Compensation Committee did not make increases to base salary levels for our named executive officers, except in the case of Mr. Johnson, whose base salary was increased to $540,000, effective June 30, 2012, in recognition of his performance while assuming additional responsibilities. See "—2012 Summary Compensation Table."

Short-Term Incentive Compensation Plan

Our STIC plan is our annual cash bonus plan, which we believe will ultimately result in an increase in shareholder value because our incentives under it are linked to business objectives that we believe will deliver our long-term success.

For the 2012 STIC plan, the Compensation Committee approved a change to one annual performance period for determining the amount of plan payments from January 1, 2012 through December 31, 2012, rather than two six-month performance periods as were used in 2010 and 2011. Based on performance against stated objectives, our named executive officers must have been employed through December 31, 2012 in order to be eligible to receive full or prorated compensation for the performance period unless their termination during the year was the result of death, disability, retirement, or involuntary termination without cause.

In February 2012, the Compensation Committee established financial and operational objectives and their respective weightings and targets for the performance period, continuing to balance our senior management team's and other plan participants' focus among our most critical financial and strategic objectives, which remained as growing revenue and earnings while increasing subscriber growth and reducing churn. To that end, the Compensation Committee established the following objectives and weightings for our 2012 STIC plan:

- adjusted OIBDA, 40%;
- postpaid churn, 30%; and
- total net additions, 30%.

To further our goal of tying a significant portion of each named executive officer's total annual compensation to our business performance, the STIC plan provides for a payment equal to the named executive officer's targeted opportunity (set at a percentage of his base salary) only if our actual results meet the targets. Similarly, a payment in excess of a named executive officer's targeted opportunity may be made if our actual performance exceeds the targeted objectives (capped at 200%), a payment below targeted opportunity may be made if our actual performance is below the target objectives but exceeded the minimum threshold level, and no payout would be made if our actual performance does not exceed the minimum threshold level.

Long-Term Incentive Compensation Plan

Our LTIC plan serves our compensation objectives by linking payment to achievement of financial and operational objectives, and by linking executive interests with those of our shareholders.

Following evaluation of our recent LTIC plans and assessment of the near-term factors critical to driving long-term shareholder value, in February 2012, following the board's approval of the 2012 budget, the Compensation Committee established the terms of the 2012 LTIC plan. This plan continued granting an executive's targeted 2012 LTIC opportunity in the form of performance-based opportunities: 50% in performance units (approximately 72% for Mr. Hesse), 30% in performance-based RSUs (approximately 19% for Mr. Hesse) and 20% in non-qualified stock options (approximately 9% for Mr. Hesse). In determining the weightings among the LTIC components, the Compensation Committee balanced the desire to provide incentives to achieve critical financial and operational objectives, stock price appreciation considerations, and affordability of the LTIC plan from both a share usage and aggregate cost perspective. In particular, placing less weight on the stock option component of the 2012 LTIC plan as compared to the other two components was intended to mitigate a potential windfall associated with possible significant increases in our stock price that were not tied to our performance but to rising equity markets generally.

- Performance units—Each unit has a value of $1.00, and executives earn a cash payout that vests on December 31, 2014 and would be paid in the 1st Quarter of 2015, with cash payouts ranging from 0 to 150% based on achievement of predetermined performance objectives during a single three-year performance period of 2012-2014.
- Performance-based RSUs—RSUs vest on the third anniversary of the grant date, with vesting conditioned on achievement of predetermined performance objectives during a single three-year performance period of 2012-2014.
- Stock options—Nonqualified stock options vest ratably on each of the three anniversaries of the grant date, with an exercise price equal to the fair market value (closing price on the NYSE) of our stock on the grant date. To determine the number of stock options to be delivered under the 2012 LTIC plan, we used a Black-Scholes valuation model discussed below in footnote 3 to the 2012 Summary Compensation Table.

For Mr. Hesse, the mix of LTIC plan awards was more heavily weighted by the Compensation Committee toward the components in which vesting is dependent on achievement of specific financial objectives. In particular, the number of shares underlying Mr. Hesse's awards that are subject to performance-based vesting exceeds the number of shares underlying the awards that are subject to time-based vesting. This approach is intended to ensure that long-term compensation earned by our CEO, who is the executive most accountable to

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shareholders, is most sensitive to performance against long-term goals. As part of the May 4, 2012 letter previously disclosed in Sprint's Current Report on Form 8-K filed on May 4, 2012, Mr. Hesse agreed to forfeit 2 million performance units granted to him on February 22, 2012 under our 2012 LTIC plan. This forfeiture had the effect of rebalancing Mr. Hesse's targeted 2012 LTIC opportunity in the form of performance-based opportunities as follows: 66% in performance units, 22% in performance-based RSUs and 12% in non-qualified stock options.

The 2012 LTIC plan continued our prior years' focus on generating cash through establishing a free cash flow performance objective weighted at 33.4% and a net service revenue performance objective objective weighted at 33.3% and included a new focus on improving the customer experience through establishing Network Vision deployment as the third objective, also weighted at 33.3%. These metrics were chosen for the 2012 to 2014 performance period because they represent our most critical longer-term objectives.

Other Compensation Decisions for 2012

2012 Performance Period for the 2010 and 2011 LTIC Plans

In early 2012, the Compensation Committee approved the results for the 2011 performance period of the 2010 and 2011 LTIC plans. In addition, the Compensation Committee set goals for the 2012 performance period of the Company's 2010 and 2011 LTIC plans with respect to free cash flow, net service revenue and Network Vision. Please refer to footnotes 2 and 4 of the 2012 Summary Compensation Table and footnotes 3, 5 and 6 of the "2012 Grants of Plan-Based Awards" table for a discussion of these awards.

Other Components of Executive Compensation

Our named executive officers' total rewards opportunities consist of a number of other elements important to our compensation philosophy for 2012 of attracting, retaining, and motivating our named executive officers:

- Employee Benefit Plans and Programs. Our compensation program includes a comprehensive array of health and welfare benefits in which our eligible employees, including our named executive officers, are eligible to participate. We pay all of the costs for some of these benefit plans, and participants contribute a portion of the cost for other benefit plans.
- Retirement Programs. Our retirement program consists of the Sprint Nextel 401(k) Plan, which provides participants, with our help of a profit-sharing matching contribution opportunity and, continuing from 2011, a fixed matching contribution on up to 2% of eligible compensation, an opportunity to build financial security for their future. The amount of any matching contributions made by us to participating named executive officers is included in the "All Other Compensation" column of the 2012 Summary Compensation Table.
- Deferred Compensation. Certain employees, including our named executive officers, are offered the opportunity to participate in the Sprint Nextel Deferred Compensation Plan, a nonqualified and unfunded plan, under which they may defer to future years the receipt of certain compensation in addition to that eligible under the 401(k) plan. Participants may elect to defer up to 50% of base salary and 75% of STIC plan payments. We believe this plan helps attract and retain executives by providing the participant another tax efficient retirement plan. Participants elect to allocate deferred and any matching contributions among one or more hypothetical investment options, which include one option that tracks our common stock and other options that track broad-based bond and equity indices. Our plan provides for a matching contribution using the same matching contribution percentage as our 401(k) plan of eligible earnings above the applicable annual limit, which is intended to compensate highly-compensated employees for limitations placed on our 401(k) plan by federal tax law. For 2012, Mr. Hesse was the only named executive officer who participated in the Sprint Nextel Deferred Compensation Plan.
- Personal Benefits and Perquisites. The limited personal benefits and perquisites that we provide to our named executive officers are summarized in footnote 6 to the 2012 Summary Compensation Table below. As a result of the recommendations contained in an independent third-party security study, the Compensation Committee established an overall security program for Mr. Hesse. Under the security program, we currently provide Mr. Hesse with residential security systems and equipment, and he is required to use our aircraft for business and non-business travel. We believe these measures ensure the safety of Mr. Hesse and enable him to devote his full attention to Company business. Mr. Hesse is

permitted to have his family accompany him on the corporate aircraft for business and non-business travel.

Executive Severance Policy. Providing severance to our named executive officers helps attract and retain high quality talent by (1) mitigating the risks associated with leaving their former employer or position and assuming the challenges of a new position with us, and (2) providing income continuity following an unexpected termination of employment. Under our executive severance policy, our board will seek shareholder approval for any future severance agreement or arrangement with an executive officer, including our named executive officers, that provides (a) severance pay in excess of two times the senior executive's base salary plus bonus and (b) continuation of group health, life insurance, and other benefits in excess of 24 months following the executive's termination. The policy permits, without shareholder approval: (x) accelerated vesting of RSUs, stock options and any other LTIC plan awards, and (y) continued vesting during the severance period of any such awards. The policy also requires that we seek shareholder approval of any future severance agreement or arrangement that provides for the reimbursement of excise taxes imposed under Internal Revenue Code Section 4999 to a senior level executive. The severance benefits to which our named executive officers are entitled as provided in the their employment agreements and described in "—Potential Payments upon Termination of Employment or Change in Control," allow us to attract and retain a management team and secure our competitive advantage in the event of their departure through corresponding restrictive covenants.

Change in Control. If a transaction that could result in a change in control were under consideration, we expect that our named executive officers would face uncertainties about how the transaction may affect their continued employment with us. We believe it is in our shareholders' best interest if our named executive officers remain employed and focused on our business through any transition period following a change in control and remain independent and objective when considering possible transactions that may be in shareholders' best interests but possibly result in the termination of their employment. Our change in control benefits accomplish this goal by providing each eligible named executive officer with a meaningful severance benefit in the event that a change in control occurs and, within a specified time period of the change in control, his employment is involuntarily terminated without "cause" or voluntarily terminated for "good reason."

The Sprint Nextel Change in Control Severance Plan, which we refer to as the CIC plan, provides severance benefits to a select group of senior executives, including our named executive officers, in the event of a qualified termination of employment in connection with a transaction that results in a change in control. Any of these benefits payable would be reduced to the extent of any severance benefit otherwise available under any other applicable policy, program, or plan so that there would be no duplication of benefits. The benefits upon termination in connection with a change in control to which our named executive officers are entitled, as described in "—Potential Payments upon Termination of Employment or Change in Control," are likewise competitive within our peer group.

Tax Deductibility of Compensation

Section 162(m) limits to $1 million the amount of non-performance-based remuneration that we may deduct from our taxable income in any tax year with respect to our CEO and the three other most highly compensated executive officers, other than the CFO, at the end of the year. Section 162(m) provides, however, that we may deduct from our taxable income without regard to the $1 million limit the full value of all "qualified performance-based compensation." Our base salary and perquisites and other personal benefits are not considered "qualified performance-based compensation" and therefore are subject to the limit on deductibility. Our STIC plan and LTIC plan awards may be considered "qualified performance-based compensation" if certain requirements are met, including among others that the maximum number of stock option or full value share awards and the maximum amount of other cash performance-based remuneration that may be payable to any one executive officer has been disclosed to and approved by shareholders prior to the award or payment.

The Compensation Committee considers Section 162(m) deductibility in designing our compensation program and incentive-based compensation plans. In general, we design our STIC and LTIC plans to be compliant with the performance-based compensation rules of Section 162(m) in order to maximize deductibility. In certain

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circumstances, however, the Compensation Committee has determined it necessary in order to retain executives and attract candidates for senior level positions to offer compensation packages in which the non-performance-based elements exceed the $1 million Section 162(m) limit.

The awards under our 2012 STIC and LTIC plans are considered performance-based compensation under Section 162(m), except for a portion of Mr. Hesse's performance unit award under the LTIC plan due to the limits set under our incentive compensation plan, as well as Mr. Johnson's award under the STIC plan and his performance-based RSU award under the LTIC plan due to the terms of his employment agreement.

For the 2012 STIC plan, the Compensation Committee also established an annual Section 162(m) objective for the named executive officers potentially subject to Section 162(m) at a small fraction of a percentage of our adjusted operating income. The Compensation Committee is precluded from exercising upward discretion to the payout achieved under this objective. The Compensation Committee exercised its discretion to make payments under the STIC plan at levels below the payout achieved under the Section 162(m) objective for 2012 as guided by the performance metrics discussed under "—2012 Performance—Delivering on the Sprint Turnaround—Phase Two—2012 STIC Plan."

For the 2012 LTIC plan, the Compensation Committee also established Internal Revenue Code Section 162(m) objectives for the named executive officers potentially subject to Section 162(m) except for a portion of Mr. Hesse's performance unit award. The Section 162(m) objective for performance units was a small fraction of a percentage of our adjusted operating income, and for performance-based restricted stock units was a required threshold level of adjusted operating income achievement. The Compensation Committee is precluded from exercising upward discretion to the payout achieved under these objectives.

Clawback Policy

We have a “clawback” policy, which provides that, in addition to any other remedies available to us under applicable law, we may recover (in whole or in part) any bonus, incentive payment, commission, equity-based award, or other compensation received by certain executives, including our named executive officers, if our board or any committee of our board determines that such bonus, incentive payment, commission, equity-based award, or other compensation is or was based on any financial results or operating objectives that were impacted by the officer's knowing or intentional fraudulent or illegal conduct, and recovery is appropriate.

Stock Ownership Guidelines

We have stock ownership guidelines for our named executive officers and other members of our senior management team. The board believes ownership by executives of a meaningful financial stake in our Company serves to align executives' interests with those of our shareholders. Our guidelines encourage our CEO to hold shares of our common stock with a value equal to five times his base salary, and that the other named executive officers hold shares of our common stock with a value equal to three times their respective base salaries. Eligible shares and share equivalents counted toward ownership consist of:

- common or preferred stock, including those purchased through our Employee Stock Purchase Plan;
- restricted stock or RSUs;
- intrinsic value (the excess of the current stock price over the option's exercise price) of vested, in-the-money stock options; and
- share units held in our 401(k) plan and various deferred compensation plans.

Persons subject to the stock ownership guidelines have five years beginning on the date on which the person becomes subject to the ownership guidelines, or until December 31, 2012 if later, to achieve the ownership requirement. Failure to meet the ownership requirement as of such date results in the requirement to retain 50% of shares received on vesting of restricted stock units and option exercises until the requirement is met. As of December 31, 2012, all of our named executive officers who have been with the Company for at least five years had met the stock ownership guidelines.

2012 Shareholder Say-on-Pay Vote

The Company provides its shareholders with the opportunity to cast an annual advisory vote on named executive officer compensation (a “say-on-pay proposal”). At the Company's annual meeting of shareholders held in May 2012, 81% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The

Compensation Committee considered the 2012 voting results at discussions among its members during its meetings,

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and the Compensation Committee believes this vote affirms shareholders' support of the Company's approach to executive compensation. As a result of this consideration, the Company did not change its approach to named executive officer compensation in 2012. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the named executive officers.

Compensation Committee Report

The Compensation Committee has reviewed and discussed Sprint Nextel's Compensation Discussion and Analysis with management. Based on these reviews and discussions, the Compensation Committee recommended to the board that Sprint Nextel's Compensation Discussion and Analysis be included in this Annual Report on Form 10-K for the year ended December 31, 2012.

The Compensation Committee
Gordon M. Bethune, Chair
V. Janet Hill
William R. Nuti
Rodney O'Neal

Relationship of Compensation Practices to Risk Management

We have assessed whether there are any risks arising from our compensation policies and practices for our employees and factors that may affect the likelihood of excessive risk taking. Based on that review, we have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

In coming to this conclusion, in late 2012 and early 2013, our human resources department reviewed the Company's incentive plans, surveying sales- and nonsales-related compensation programs, as well as executive and nonexecutive compensation programs. Pay philosophies, performance objectives and overall incentive plan designs were reviewed. Human resources discussed plan elements with representatives from the business functions responsible for incentive plan design and administration. Design features were assessed to determine whether there is a likelihood that incentive plans could encourage excessive risk-taking resulting in a material adverse effect on the Company and to ensure that appropriate governance is in place to mitigate risk under unforeseen circumstances. The results of this assessment were reviewed by the Compensation Committee on February 6, 2013. In addition, the Compensation Committee's independent consultant, Cook, considered risk in all aspects of the plans in which our executives participate and advised the Compensation Committee accordingly. Cook confirmed that there are no aspects of the programs described in the preceding Compensation Discussion and Analysis, or for our employees in general, that create an incentive to take risks that are reasonably likely to have a material adverse effect on the Company.

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Summary Compensation Table

The table below summarizes the compensation of our named executive officers that is attributable to the fiscal years ended December 31, 2012, 2011, and 2010. The named executive officers are our CEO and president, our CFO, and our three other most highly compensated executive officers ranked by their total compensation in the table below. Each of our named executive officers has an employment agreement with us. For more information regarding our compensation philosophy and a discussion of the elements of our compensation program, see "—Compensation Discussion and Analysis."

2012 Summary Compensation Table

Name and Principal Position	Year	Salary	Salary Foregone	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Non-Equity Incentive Plan Compensation Foregone	All Other Compensation	Total
		($)	($)[1]	($)	($)[2]	($)[3]	($)[4]	($)[5]	($)[6]	($)
Daniel R. Hesse Chief Executive Officer and President	2012	1,200,000	(346,223)	—	3,560,070	1,214,695	5,002,457	(362,592)	167,334	11,144,556
	2011[7]	1,200,000	—	829,322	3,222,768	1,692,000	4,844,272	—	94,289	11,882,651
	2010	1,200,000	—	—	1,664,012					