

SPRINT CORP
Form S-4
March 15, 2005
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As filed with the Securities and Exchange Commission on March 15, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SPRINT CORPORATION

(Exact name of registrant as specified in its charter)

Kansas
(State or Other Jurisdiction of Incorporation or
Organization)

4813
(Primary Standard Industrial Classification
Code Number)

48-0457967
(I.R.S. Employer

Identification No.)

P.O. Box 7997

Shawnee Mission, Kansas 66207-0997

(913) 624-3000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Claudia S. Toussaint, Esq.

Vice President, Corporate Governance and

Ethics, and Corporate Secretary

Sprint Corporation

P.O. Box 7997

Shawnee Mission, Kansas 66207-0997

(913) 794-1513

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Copies to:

E. William Bates, II, Esq. King & Spalding LLP 1185 Avenue of the Americas New York, New York 10036 (212) 556-2100	Robert I. Townsend, III, Esq. Cravath, Swaine & Moore LLP 825 Eighth Avenue Worldwide Plaza New York, New York 10019 (212) 474-1000	Leonard J. Kennedy, Esq. Senior Vice President and General Counsel Nextel Communications, Inc. 2001 Edmund Halley Drive Reston, Virginia 20191 (703) 433-4000	Robert A. Profusek, Esq. Jones Day 222 East 41st Street New York, New York 10017 (212) 326-3939	Toby S. Myerson, Esq. Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, New York 10019 (212) 373-3000
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Approximate date of commencement of proposed sale to the public: At the effective time of the merger referred to herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price⁽⁴⁾	Amount of registration fee⁽⁵⁾
FON common stock, series 1, par value \$2.00 per share, including the associated preferred stock purchase rights	1,469,111,101 ⁽¹⁾	N/A	\$ 32,693,372,416	\$ 3,848,010
Non-voting common stock, par value \$0.01	38,558,000 ⁽²⁾	N/A	\$ 249,064,694	\$ 29,315
Ninth series zero coupon convertible preferred stock due 2013, no par value	245,245 ⁽³⁾	N/A	\$ 107,687,815	\$ 12,675
Total registration fee				\$ 3,890,000

- (1) Based on the estimated number of shares of FON common stock issuable to holders of class A common stock, par value \$0.001 per share, of Nextel. Upon completion of the merger this stock will be issued as series 1 common stock, par value \$0.01, of Sprint Nextel Corporation.
- (2) Based upon the product of (i) 29,660,000, the outstanding number of shares of Nextel class B common stock, par value \$0.001, and (ii) 1.30.
- (3) Based upon the outstanding number of shares of the zero coupon convertible preferred stock due 2013, par value \$0.01, of Nextel.
- (4) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(f)(1), 457(f)(2) and 457(f)(3) under the Securities Act.
- (5) In accordance with Rule 457(p) under the Securities Act, \$218,398.33 associated with unsold securities under previous registration statements has been offset against the registration fee due in connection with this registration statement, which amount includes the following paid by Sprint Corporation: \$79,886.06 for Registration No. 333-54108 filed on January 22, 2001, \$39,710.41 for Registration No. 333-56938 filed on March 13, 2001, \$78,693.00 for Registration No. 333-59124 filed on April 18, 2001, \$48.63 for Registration No. 333-61462 filed on May 23, 2001, \$17,989.26 for Registration No. 333-75664 filed on December 21, 2001 and \$2,070.97 for Registration 333-86458 filed on April 17, 2002.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this joint proxy statement/prospectus is not complete and may be changed. Sprint Corporation may not sell these securities until the registration statement filed with the Securities and Exchange Commission, of which this joint proxy statement/prospectus is a part, is declared effective. This joint proxy statement/prospectus is not an offer to sell these securities and Sprint is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated March 15, 2005

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

As we previously announced, the boards of directors of Sprint Corporation and Nextel Communications, Inc. have each unanimously approved a strategic merger, combining Sprint and Nextel in what we intend to be a merger of equals. We believe that this merger will provide significant long-term stockholder value by creating a premier telecommunications company. Sprint Nextel will be the third largest wireless telecommunications carrier in the United States based on the number of wireless units in service, with industry-leading financial and operational capabilities. Its network assets will enable it to offer consumer, business and government subscribers a wide array of broadband wireless and integrated communications services.

When the merger is completed, Sprint will change its name to Sprint Nextel Corporation and the Sprint Nextel common stock will be quoted on the New York Stock Exchange, which we refer to as the NYSE. Existing shares of Sprint stock will remain outstanding. Each share of Nextel class A common stock and Nextel class B common stock will be converted into shares of Sprint Nextel common stock and Sprint Nextel non-voting common stock, respectively, and a small per share amount of cash, with a total value per share expected to equal 1.3 shares of Sprint Nextel common stock. Nextel preferred stock will be converted into Sprint Nextel preferred stock.

Sprint and Nextel expect to spin off Sprint's local telecommunications business after the merger is completed. In order to facilitate the spin-off on a tax-free basis, the exact allocation of cash and shares of Sprint Nextel common stock that Nextel common stockholders will receive will be adjusted as of the time the merger is completed.

On _____, 2005, the closing sales price of Sprint's FON common stock, series 1, which trades on the NYSE under the symbol FON, was \$ _____ per share, and the last reported sales price of Nextel's class A common stock, which trades on the Nasdaq National Market under the symbol NXTL, was \$ _____ per share.

For a discussion of the risks relating to the merger, see Risk Factors beginning on page 22.

Annual meetings of Sprint's and Nextel's stockholders are being held to approve the transactions contemplated by the merger agreement. Each company's stockholders will also elect directors and act on other matters normally considered at each company's annual meeting. Information about these meetings and the merger is contained in this joint proxy statement/prospectus. We encourage you to read this entire joint proxy statement/prospectus carefully, as well as the annexes and information incorporated by reference.

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The Sprint board of directors unanimously recommends that the Sprint stockholders vote *for* the proposals to amend and restate Sprint's articles of incorporation and to approve the issuance of Sprint series 1 common stock, non-voting common stock and ninth series preferred stock, all of which are necessary to effect the merger. The Nextel board of directors unanimously recommends that the Nextel stockholders vote *for* the proposal to adopt the merger agreement.

Gary D. Forsee
Chairman and Chief Executive Officer
Sprint Corporation

Timothy M. Donahue
President and Chief Executive Officer
Nextel Communications, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in this joint proxy statement/prospectus or the securities to be issued pursuant to the merger or determined that this joint proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated _____, 2005 and, together with the accompanying proxy card and annual report for the applicable company, is first being mailed to Sprint and Nextel stockholders on or about _____, 2005.

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SPRINT CORPORATION

6200 Sprint Parkway

Overland Park, Kansas 66251

www.sprint.com

Notice of Annual Meeting of Stockholders

Time:

9:00 a.m. (Central Daylight Time) on _____, 2005

Place:

[To Come]

A map showing the location of the meeting is printed on Annex K to this joint proxy statement/prospectus.

Purpose:

To adopt the amendment to Sprint's articles of incorporation to increase the number of authorized shares of Sprint series 1 common stock and to decrease the par value of the Sprint series 1 common stock and the Sprint series 2 common stock from \$2.00 to \$0.01 per share in connection with the merger;

To adopt the Sprint Nextel amended and restated articles of incorporation to create a class of non-voting common stock and the ninth series preferred stock, change the name of the FON common stock, series 1 and series 2 to series 1 common stock and series 2 common stock, respectively, delete references to the PCS common stock, change Sprint's name to Sprint Nextel Corporation and make other clarifying changes reflected in the Sprint Nextel amended and restated articles of incorporation, which are attached as Annex G to this joint proxy statement/prospectus, in connection with the merger;

To approve the issuance of Sprint Nextel series 1 common stock, non-voting common stock and ninth series preferred stock pursuant to the Agreement and Plan of Merger, dated as of December 15, 2004, among Sprint, Nextel and a wholly owned subsidiary of Sprint, a copy of which is attached as Annex A to this joint proxy statement/prospectus, pursuant to which Nextel will become a wholly owned subsidiary of Sprint;

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To approve any motion to adjourn the Sprint annual meeting to another time or place, if necessary, to solicit additional proxies if there are insufficient votes at the time of the Sprint annual meeting to approve the proposals related to the merger;

To elect eight directors to serve for a term of one year;

To ratify the appointment of KPMG LLP as Sprint's independent registered public accounting firm for 2005;

To vote on four stockholder proposals if presented at the meeting; and

To conduct any other business that properly comes before the meeting and any adjournment or postponement of the meeting.

This joint proxy statement/prospectus, including the annexes, contains further information with respect to the business to be transacted at the Sprint annual meeting.

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Record Date:

Sprint stockholders of record on _____, 2005 may vote at the Sprint annual meeting.

Your vote is important. Whether or not you plan to attend the annual meeting, please promptly complete and return your proxy card in the enclosed envelope, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card.

By order of the Board of Directors,

Overland Park, Kansas
, 2005

Claudia S. Toussaint
Vice President,
Corporate Governance and
Ethics, and Corporate Secretary

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Nextel Communications, Inc.

2001 Edmund Halley Drive

Reston, Virginia 20191

www.nextel.com

Notice of Annual Meeting of Stockholders

Time:

10:00 a.m. local time on _____, 2005

Place:

[To Come]

A map showing the location of the meeting is printed on Annex L to this joint proxy statement/ prospectus.

Purpose:

To adopt the Agreement and Plan of Merger, dated as of December 15, 2004, among Sprint, Nextel and a wholly owned subsidiary of Sprint that was created to complete the merger of Nextel with the subsidiary, a copy of which is attached as Annex A to this joint proxy statement/prospectus;

To approve any motion to adjourn the Nextel annual meeting to another time or place, if necessary, to solicit additional proxies if there are insufficient votes at the time of the Nextel annual meeting to approve the merger proposal;

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To elect three directors, Timothy M. Donahue, Frank M. Drendel and William E. Kennard, each for a three-year term ending 2008;

To ratify the appointment of Deloitte & Touche LLP as Nextel's independent registered public accounting firm for 2005;

To adopt the Amended and Restated Incentive Equity Plan, a copy of which is attached as Annex J to this joint proxy statement/prospectus; and

To conduct any other business that properly comes before the annual meeting and any adjournment or postponement of the meeting.

Record Date:

Nextel stockholders of record as of _____, 2005 may vote at the Nextel annual meeting.

Nextel stockholders have the right to dissent from the merger and seek appraisal of their shares. In order to assert dissenters' rights, Nextel stockholders must comply with the requirements of Delaware law as described under "The Merger Appraisal Rights" beginning on page 62.

Your vote is important. Whether or not you plan to attend the annual meeting, please promptly complete and return your proxy card in the enclosed envelope, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card.

By order of the Board of Directors,

Reston, Virginia
, 2005

William E. Conway
Chairman of the Board of Directors

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THIS JOINT PROXY STATEMENT/PROSPECTUS INCORPORATES

ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Sprint and Nextel from other documents filed with the Securities and Exchange Commission, which we refer to as the SEC, that are not included in or delivered with this joint proxy statement/prospectus. For a listing of the documents incorporated by reference into this joint proxy statement/prospectus, see *Where You Can Find More Information* beginning on page 214.

You may obtain documents incorporated by reference into this joint proxy statement/prospectus, without charge, by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Sprint Corporation
6200 Sprint Parkway
Overland Park, Kansas 66251
Mailstop: KSOPHF0102-1B322
Attn: Investor Relations
Telephone: (800) 259-3755, Option 1

Nextel Communications, Inc.
2001 Edmund Halley Drive
Reston, Virginia 20191
Attn: Investor Relations
Telephone: (703) 433-4300

You may also obtain documents incorporated by reference into this joint proxy statement/prospectus by requesting them in writing or by telephone from D.F. King & Co., Inc., Sprint's proxy solicitor, or Georgeson Shareholder Communications, Inc., Nextel's proxy solicitor, at the following addresses and telephone numbers:

D.F. King & Co., Inc.

48 Wall Street
New York, New York 10005
Bankers and brokers call (212) 269-5550 (collect)
Others call (800) 578-5378 (toll-free)

17 State Street
New York, New York 10004
(212) 440-9800 (collect)
(877) 278-9673 (toll-free)

To receive timely delivery of the documents before your annual meeting, you must request them no later than _____, 2005 to receive them before the Sprint annual meeting and by _____, 2005 to receive them before the Nextel annual meeting.

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To be filed by amendment.

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QUESTIONS AND ANSWERS ABOUT THE MEETINGS

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this joint proxy statement/prospectus, please vote your shares as soon as possible so that your shares will be represented at your company's annual meeting. Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q: How do I vote?

A: You may vote before your annual meeting in one of the following ways:

use the toll-free number, if any, shown on your proxy card;

visit the website, if any, shown on your proxy card to vote via the Internet; or

complete, sign, date and return the enclosed proxy card in the enclosed postage-paid envelope.

Q: If my shares are held in street name by a broker or other nominee, will my broker or nominee vote my shares for me?

A: If you are a Nextel stockholder, your broker or other nominee does not have authority to vote on the merger proposal or the Amended and Restated Incentive Equity Plan proposal. If you are a Sprint stockholder, your broker or other nominee does not have authority to vote on the proposals to adopt the amendment to Sprint's articles of incorporation increasing the authorized number of shares of stock and decreasing the par value of shares, adopt the Sprint Nextel amended and restated articles of incorporation or issue Sprint capital stock in the merger. Your broker or other nominee will vote your shares held by it in street name with respect to these matters only if you provide instructions to it on how to vote. You should follow the directions your broker or other nominee provides.

Q: What if I do not vote on the matters relating to the merger?

A: If you are a Nextel stockholder and you fail to respond with a vote or fail to instruct your broker or other nominee how to vote on the merger proposal, it will have the same effect as a vote against the merger proposal. If you respond but do not indicate how you want to vote on the merger proposal, your proxy will be counted as a vote in favor of the merger proposal. If you respond and abstain from voting on the merger proposal, your proxy will have the same effect as a vote against the merger proposal.

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If you are a Sprint stockholder and you fail to respond with a vote or fail to instruct your broker or other nominee how to vote on the proposals to adopt the amendment to Sprint's articles of incorporation increasing the authorized number of shares and decreasing the par value of shares and to adopt the Sprint Nextel amended and restated articles of incorporation, it will have the same effect as a vote against these proposals, each of which must be approved for the merger to occur. If you respond and abstain from voting, your proxy will have the same effect as a vote against these proposals. If you respond but do not indicate how you want to vote on the proposals, your proxy will be counted as a vote in favor of these proposals as well as the issuance of Sprint capital stock in the merger.

Q: May I change my vote after I have delivered my proxy or voting instruction card?

A: Yes. You may change your vote at any time before your proxy is voted at your annual meeting. You may do this in one of four ways:

by sending a notice of revocation to the corporate secretary of Sprint or Nextel, as applicable;

by sending a completed proxy card bearing a later date than your original proxy card;

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by logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so and following the instructions on the proxy card; or

by attending your annual meeting and voting in person.

Your attendance alone will not revoke any proxy.

If you choose any of the first three methods, you must take the described action no later than the beginning of your annual meeting.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Q: Should I send in my stock certificates now?

A: No. Please do not send your stock certificates with your proxy card.

If you are a holder of Nextel common stock, you will receive written instructions from the exchange agent after the merger is completed on how to exchange your stock certificates for the merger consideration.

If you are a holder of Nextel preferred stock, your existing stock certificates will represent the number of shares of Sprint Nextel preferred stock into which your shares will be converted under the terms of the merger. If you wish, you may exchange your Nextel preferred stock certificates for certificates with the new Sprint Nextel name.

If you are a Sprint stockholder, you will keep your existing stock certificates, which will continue to represent the number of shares of Sprint Nextel stock equal to the number of Sprint shares you now hold. If you wish, you may exchange your existing Sprint stock certificates for certificates with the new Sprint Nextel name.

Q: Why am I receiving this document?

A: We are delivering this document to you as both a joint proxy statement of Sprint and Nextel and a prospectus of Sprint. It is a joint proxy statement because each of our boards of directors is soliciting proxies from its stockholders. It is a prospectus because Sprint will exchange shares of its stock for shares of Nextel stock in the merger.

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SUMMARY

*This summary highlights selected information contained in this joint proxy statement/prospectus and may not contain all the information that is important to you. Sprint and Nextel urge you to read carefully this joint proxy statement/prospectus in its entirety, as well as the annexes. Additional important information is also contained in the documents incorporated by reference into this joint proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 214.*

*Unless the context otherwise requires, references in this joint proxy statement/prospectus to *Sprint* mean Sprint and its subsidiaries, references to *Sprint series 1 common stock* or *series 1 FON stock* mean the FON common stock, series 1 of Sprint, references to *Sprint common stock* mean the FON common stock, series 1 and series 2, and references to *series 1 PCS stock* mean the PCS common stock, series 1 of Sprint. On February 28, 2004, Sprint's board of directors decided to recombine its PCS common stock and its FON common stock into a single common stock. As a result, each share of PCS common stock was converted into 0.50 shares of FON common stock on April 23, 2004, and the FON common stock now represents the only outstanding common stock of Sprint. After the merger, Sprint FON common stock, series 1 and series 2, will be redesignated and will be series 1 and series 2 common stock of Sprint Nextel. Unless the context otherwise requires, references in this joint proxy statement/prospectus to *Nextel* mean Nextel and its subsidiaries, references to *Nextel common stock* mean the Nextel class A common stock and Nextel class B non-voting common stock and references to *Sprint Nextel* or *the resulting company* mean Sprint Nextel and its subsidiaries after the merger.*

The Companies

Sprint Corporation

6200 Sprint Parkway

Overland Park, Kansas 66251

(913) 624-3000

Sprint offers an extensive range of innovative communication products and solutions, including wireless, long distance voice and data transport, global Internet Protocol, or IP, local and multiproduct bundles. A Fortune 100 company with more than \$27 billion in annual revenues in 2004, Sprint is widely recognized for developing, engineering and deploying state-of-the-art network technologies, including the United States' first nationwide all-digital, fiber-optic network, an award-winning tier one Internet backbone, and one of the largest all-digital, nationwide wireless networks in the United States. Sprint provides local telecommunications services in its franchise territories in 18 states.

Nextel Communications, Inc.

2001 Edmund Halley Drive

Reston, Virginia 20191

(703) 433-4000

Nextel is a leading provider of wireless communications services in the United States. Nextel provides a comprehensive suite of advanced wireless services, including digital wireless mobile telephone service, walkie-talkie features, including Nextel Nationwide Direct ConnectSM and Nextel International Direct ConnectSM, and wireless data transmission services. At December 31, 2004, Nextel provided service to about 16.2 million subscribers, which consisted of 15 million subscribers of Nextel-branded service and 1.2 million subscribers of Boost Mobile - branded pre-paid service. Nextel's all-digital packet data network is based on integrated Digital

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Enhanced Network, or iDEN[®], wireless technology developed with Motorola, Inc. Nextel, together with Nextel Partners, Inc., currently uses the iDEN technology to serve 297 of the 300 largest United States metropolitan areas where 259 million people live or work.

The Merger

A copy of the Agreement and Plan of Merger, dated as of December 15, 2004, which we refer to as the merger agreement, is attached as Annex A to this joint proxy statement/prospectus. We encourage you to read the entire merger agreement carefully because it is the principal document governing the merger.

Consideration to be Received in the Merger by Nextel Stockholders

Nextel class A common stock will be converted into Sprint Nextel series 1 common stock and cash at the stock exchange and cash ratios described below;

Nextel class B non-voting common stock will be converted into Sprint Nextel non-voting common stock and cash at the same stock exchange and cash ratios as apply to Nextel class A common stock; and

Nextel zero coupon convertible preferred stock due 2013 will be converted into Sprint Nextel ninth series zero coupon convertible preferred stock due 2013.

To facilitate the contemplated spin-off of Sprint's local telecommunications business after the merger on a tax-free basis, the exact allocation of Sprint Nextel common stock and cash that Nextel common stockholders are to receive generally will be adjusted as of the time the merger is completed so that Nextel stockholders receive capital stock of Sprint Nextel representing the maximum amount that does not exceed 49.9% of the total voting power or total value of Sprint Nextel capital stock. The merger agreement provides that the stock exchange ratio will be 1.28 Sprint Nextel common shares and the cash ratio will be equal to 0.02 multiplied by the average trading prices of Sprint series 1 common stock over a 20 day trading period ending on (and including) the date of completion of the merger, subject to adjustments as described in this paragraph and a limit on the aggregate cash amount of \$2.8 billion. It is expected that adjustments will result from the relative amount of additional shares of voting stock issued by Sprint and Nextel before completion of the merger, but the total value per share of the consideration will be equal to the value of 1.3 shares of Sprint Nextel common stock, unless the amount of cash to be paid to maintain the ownership levels described above would exceed the \$2.8 billion limit. If the cash portion of the consideration determined as described above would exceed that amount, subject to the exception described in the following paragraph, the aggregate consideration received by all holders of Nextel common stock will be reduced by the excess amount and the value of the consideration received with respect to each share of Nextel common stock will be reduced by a proportionate amount. Accordingly, the limit on the cash portion of the consideration could result in the total value per share of the consideration received by holders of Nextel common stock being less than the value of 1.3 Sprint Nextel common shares. We do not expect that the limit will be implicated unless market prices for Sprint common stock increase substantially. For specific discussion of these adjustments, see "The Merger Agreement - Consideration to be Received in the Merger - Illustration of Adjustments to Merger Consideration" beginning on page 68.

Adjustments may also be required for the other reasons described in "The Merger Agreement - Consideration to be Received in the Merger" beginning on page 67, including due to changes in law or guidance from the Internal Revenue Service, which we refer to as the IRS, or the U.S. Department of the Treasury, which we refer to as the U.S. Treasury. If changes in law or guidance from the IRS or the U.S. Treasury are the reason for adjustments that result in a value of less than 1.3 Sprint Nextel common shares per Nextel common share, the stock exchange ratio will be 1.3 shares of Sprint Nextel common stock to 1.0 shares of Nextel common stock (with no cash other than cash paid for fractional shares),

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and the parties will not be obligated to pursue the contemplated spin-off.

Based on outstanding shares of Sprint and Nextel and the trading prices of Sprint series 1 common stock as of _____, 2005 and on the other assumptions described in The Merger Agreement Consideration to

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be Received in the Merger Illustration of Adjustments to Merger Consideration, each Nextel common share would receive Sprint Nextel common shares and approximately \$ in cash, for a total of approximately \$ in cash for all Nextel common stockholders.

For a more complete description of the merger consideration and the assumptions referred to above, see The Merger Agreement Consideration to be Received in the Merger beginning on page 67. For a more complete discussion of the tax aspects of the contemplated spin-off, see Contemplated Spin-off of Local Telecommunications Business Tax Matters Related to the Spin-off beginning on page 83.

Directors and Executive Management Following the Merger

The Sprint Nextel board of directors will consist of 12 directors. Timothy M. Donahue, Nextel's President and Chief Executive Officer, or CEO, will become Sprint Nextel's Chairman and will be a member of the board. Gary D. Forsee, Sprint's Chairman and CEO, will become Sprint Nextel's President and CEO and will be a member of the board. Of the remaining 10 Sprint Nextel directors, Sprint and Nextel have agreed that five will be designated by Sprint and five will be designated by Nextel, including a co-lead outside director from each company. The persons designated by Nextel will be elected to the Sprint Nextel board of directors by the Sprint board of directors effective upon completion of the merger.

Len J. Lauer, Sprint's President and Chief Operating Officer, will serve as Sprint Nextel's Chief Operating Officer. Paul N. Saleh, Nextel's Executive Vice President and Chief Financial Officer, will serve as Sprint Nextel's Chief Financial Officer. Thomas N. Kelly, Jr., Nextel's Executive Vice President and Chief Operating Officer, will serve as Sprint Nextel's Chief Strategy Officer. Barry J. West, Nextel's Executive Vice President and Chief Technology Officer, will serve as Sprint Nextel's Chief Technology Officer. Leonard J. Kennedy, Nextel's Senior Vice President and General Counsel, will serve as Sprint Nextel's General Counsel. Michael B. Fuller, President Local Telecommunications Division of Sprint, will serve as Chief Operating Officer of the subsidiary of Sprint Nextel to be spun off. James G. Kissinger, Senior Vice President Human Resources of Sprint, will lead Human Resources of Sprint Nextel. Kathryn A. Walker, Executive Vice President Network Service of Sprint, will lead Network Operations of Sprint Nextel.

Sprint Nextel will have its executive headquarters in Reston, Virginia and its operational headquarters in Overland Park, Kansas.

For a more complete discussion of the management of Sprint Nextel, including expected directors and senior management, see The Merger Interests of Sprint and Nextel Directors and Executive Officers in the Merger beginning on page 55.

Recommendations of the Boards of Directors Relating to the Merger

Sprint

The Sprint board of directors unanimously recommends that holders of Sprint common stock and Sprint preferred stock vote *for* the increase in the authorized number of shares of series 1 common stock and the decrease in the par value of shares of Sprint common stock, *for* the adoption of the Sprint Nextel amended and restated articles of incorporation and *for* the issuance of shares of Sprint capital stock in the merger.

For a more complete description of Sprint's reasons for the merger and the recommendation of the Sprint board of directors, see "The Merger - Strategic and Financial Rationale" and "Sprint Board of Directors' Recommendation" beginning on pages 33 and 36, respectively.

Nextel

The Nextel board of directors unanimously recommends that Nextel stockholders vote *for* the adoption of the merger agreement.

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For a more complete description of Nextel's reasons for the merger and the recommendation of the Nextel board of directors, see "The Merger Strategic and Financial Rationale" and "Nextel Board of Directors Recommendation" beginning on pages 33 and 37, respectively.

Opinions of Financial Advisors

Sprint Financial Advisors

Sprint's board of directors considered the analyses of Lehman Brothers Inc. and Citigroup Global Markets Inc. and, in particular, the opinions of Lehman Brothers and Citigroup that, as of December 15, 2004 and based upon and subject to the factors and assumptions set forth in those opinions, the merger consideration to be paid by Sprint to the holders of Nextel class A and class B common stock in the merger is fair, from a financial point of view, to Sprint. The full text of the Lehman Brothers and Citigroup opinions, each dated December 15, 2004, which set forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with their opinions, are attached as Annexes B and C, respectively, to this joint proxy statement/prospectus.

Lehman Brothers and Citigroup provided their opinions for the use and benefit of the Sprint board of directors in connection with its consideration of the merger. The Lehman Brothers and Citigroup opinions are not intended to be and do not constitute recommendations to any stockholder as to how that stockholder should vote or act with respect to the proposed merger or any other matter described in this joint proxy statement/prospectus. Neither Lehman Brothers nor Citigroup was requested to opine as to, and their opinions do not in any manner address, Sprint's underlying business decision to proceed with or effect the merger. The summaries of the Lehman Brothers and Citigroup opinions in this joint proxy statement/prospectus are qualified in their entirety by reference to the full text of the opinions.

For a more complete description, see "The Merger Opinions of Financial Advisors to the Sprint Board of Directors" beginning on page 39. See also Annexes B and C to this joint proxy statement/prospectus.

Nextel Financial Advisors

Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Lazard Frères & Co. LLC each delivered its opinion to Nextel's board of directors that, as of December 15, 2004 and based upon and subject to the factors and assumptions set forth in its opinion, the merger consideration, as described in those opinions, to be paid to the holders of Nextel class A common stock in the proposed merger was fair from a financial point of view to those holders. Goldman Sachs, JPMorgan and Lazard each assumed, for purposes of giving their respective opinions, that all the facts, circumstances and conditions in any way relating to the determination of the merger consideration in existence as of December 15, 2004 would be the same facts, circumstances and conditions in existence at the effective time of the proposed merger.

The full text of the Goldman Sachs, JPMorgan and Lazard opinions, each dated December 15, 2004, which set forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with their opinions, are attached as Annexes D, E and F, respectively, to this joint proxy statement/prospectus. Goldman Sachs, JPMorgan and Lazard provided their advisory services and opinions for the information and assistance of the board of directors of Nextel in connection with its consideration of the proposed merger. The Goldman Sachs, JPMorgan and Lazard opinions do not constitute recommendations as to how any stockholder should vote with respect to the proposed merger.

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For a more complete description, see "The Merger" Opinions of Financial Advisors to the Nextel Board of Directors beginning on page 47. See also Annexes D, E and F to this joint proxy statement/prospectus.

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Interests of Directors and Executive Officers in the Merger

Sprint

Some Sprint directors and executive officers have interests in the merger that are different from, or are in addition to, the interests of Sprint stockholders. These interests include the potential for positions as Sprint Nextel directors or executive officers, acceleration of vesting of equity-based awards for directors who are not elected to the board of Sprint Nextel and acceleration of vesting of equity awards upon termination in specified circumstances pursuant to, and payments under, a retention program adopted by Sprint in connection with the merger.

For a further discussion, see *The Merger Interests of Sprint and Nextel Directors and Executive Officers in the Merger* beginning on page 55.

Nextel

Some Nextel directors and executive officers have interests in the merger that are different from, or are in addition to, the interests of Nextel stockholders. These interests include the potential for positions as Sprint Nextel directors or executive officers, acceleration of vesting of options for outside directors and, in specified circumstances, for executive officers, and severance, retention and other payments pursuant to existing plans, agreements and arrangements.

For a further discussion, see *The Merger Interests of Sprint and Nextel Directors and Executive Officers in the Merger* beginning on page 55.

Appraisal Rights

Record holders of Nextel capital stock who comply with the requirements of Delaware law are entitled to seek an appraisal of the fair value of their Nextel capital stock in connection with the merger. Sprint stockholders do not have appraisal rights in connection with the merger.

For a more complete description of the appraisal rights and procedures available to Nextel stockholders, see *The Merger Appraisal Rights* beginning on page 62. For the full text of Section 262 of the Delaware General Corporation Law, see Annex I.

Material U.S. Federal Income Tax Consequences of the Merger

Sprint and Nextel have structured the merger to qualify as a reorganization for U.S. federal income tax purposes, and it is a condition to each of Sprint's and Nextel's respective obligations to complete the merger that it receives a legal opinion to the effect that the merger will so qualify. In addition, in connection with the filing of the registration statement of which this document is a part, Sprint and Nextel each will receive a legal

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opinion to the same effect. Holders of Nextel stock will not recognize any gain or loss for U.S. federal income tax purposes on exchange of their shares of Nextel stock for Sprint Nextel stock. Holders of Nextel common stock, however, may recognize income resulting from the receipt of cash in exchange for their shares of Nextel common stock.

For a more complete description of the material U.S. federal income tax consequences of the merger, see [Material U.S. Federal Income Tax Consequences](#) beginning on page 64.

The tax consequences of the merger to you may depend on your own situation. In addition, you may be subject to state, local or foreign tax laws that are not addressed in this joint proxy statement/prospectus. You are urged to consult with your own tax advisor for a full understanding of the tax consequences of the merger to you.

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Regulatory Matters

Both Sprint and Nextel are subject to regulation by the Federal Communications Commission, which we refer to as the FCC, and the FCC must approve the transfer of control of certain licenses held by Nextel as a result of the merger. We will also be required to obtain approvals from state public utility commissions or similar regulatory authorities to complete the merger. While we believe that these approvals will be obtained, there can be no assurance of this or that burdensome conditions will not be imposed as a condition of these approvals. We do not believe these approvals will be obtained before our stockholders vote on the merger. Each party's obligations to complete the merger are subject to receipt of FCC authorization and any state and foreign regulatory approvals that, if not obtained, would reasonably be expected to materially impair Sprint's or Nextel's ability to achieve the overall benefits expected to be realized from the merger or provide a reasonable basis for criminal liability.

The merger is also subject to the expiration or termination of the applicable waiting period under the U.S. antitrust laws. The merger agreement requires Sprint and Nextel to satisfy any conditions or divestiture requirements imposed upon them by regulatory authorities, unless the conditions or divestitures would reasonably be expected to have a material adverse effect on Sprint or Nextel.

For a more complete discussion of regulatory matters relating to the merger, see "The Merger Regulatory Approvals Required for the Merger" beginning on page 61.

Conditions to Completion of the Merger

Each party's obligation to complete the merger is subject to the satisfaction or waiver of various conditions, including the following:

receipt of the required stockholder approvals;

expiration or termination of the waiting period under U.S. antitrust laws;

receipt of FCC authorization required to complete the merger;

receipt of required state and foreign regulatory approvals;

no legal prohibition on the merger in effect;

the NYSE authorizing for listing the shares of Sprint Nextel series 1 common stock to be issued to holders of Nextel class A common stock;

the SEC declaring effective the registration statement, of which this joint proxy statement/prospectus is a part, and the registration statement not being the subject of any stop order or threatened stop order;

accuracy of the other party's representations and warranties in the merger agreement, including their representation that no material adverse change has occurred;

the other party's compliance with its obligations under the merger agreement; and

receipt of opinions of counsel relating to the U.S. federal income tax treatment of the merger.

For a more complete discussion of the conditions to the merger, see "The Merger Agreement - Conditions to Completion of the Merger" beginning on page 75.

Timing of the Merger

The merger is expected to be completed in the second half of 2005, subject to the receipt of necessary regulatory approvals and the satisfaction or waiver of other closing conditions.

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For a discussion of the timing of the merger, see [The Merger Agreement Form and Effective Time of the Merger](#) beginning on page 67.

Termination of the Merger

The merger agreement may be terminated by Sprint or Nextel before completion of the merger in certain circumstances, including after stockholder approval. In addition, the merger agreement provides that, in the event a third party initiates a competing acquisition proposal, Sprint or Nextel may be required to pay a break-up fee to the other equal to \$1 billion.

See [The Merger Agreement Termination](#) and [Termination Fees](#) beginning on pages 78 and 79, respectively, for a discussion of the circumstances under which the parties may terminate and under which termination fees will be required to be paid.

Comparison of Stockholder Rights

Nextel is a Delaware corporation. Sprint is a Kansas corporation. The shares of Sprint Nextel stock that Nextel stockholders will receive in the merger will be shares of a Kansas corporation. Stockholder rights under Delaware and Kansas law are different. In addition, the amended and restated articles of incorporation and bylaws of Sprint Nextel contain provisions that are different from the certificate or articles of incorporation and bylaws of Nextel and Sprint, respectively.

For a summary of certain differences among the rights of stockholders of Sprint, Nextel and Sprint Nextel, see [Comparison of Rights of Stockholders of Sprint, Nextel and Sprint Nextel](#) beginning on page 198.

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Matters to be Considered at the Annual Meetings

Sprint

Sprint stockholders will be asked to vote on the following proposals:

to adopt the amendment to Sprint's articles of incorporation to increase the number of authorized shares of Sprint series 1 common stock and to decrease the par value of the Sprint series 1 common stock and the Sprint series 2 common stock from \$2.00 to \$0.01 per share in connection with the merger;

to adopt the Sprint Nextel amended and restated articles of incorporation to create a class of non-voting common stock and create the ninth series preferred stock, change the name of the FON common stock, series 1 and series 2 to series 1 common stock and series 2 common stock, respectively, delete references to the PCS common stock, change Sprint's name to Sprint Nextel Corporation and make other clarifying changes reflected in the Sprint Nextel amended and restated articles of incorporation in connection with the merger;

to approve the issuance of Sprint Nextel series 1 common stock, non-voting common stock and ninth series preferred stock in the merger;

to approve any motion to adjourn the Sprint annual meeting to another time or place, if necessary, to solicit additional proxies if there are insufficient votes at the time of the Sprint annual meeting to approve the proposals related to the merger;

to elect eight directors to serve for a term of one year;

to ratify the appointment of KPMG LLP as Sprint's independent registered public accounting firm for 2005;

to vote on four stockholder proposals if presented at the meeting; and

to conduct other business that properly comes before the Sprint annual meeting and any adjournment or postponement of the meeting.

Each of the first three proposals listed above relating to the merger is conditioned upon the other two and the approval of each such proposal is required for completion of the merger.

Recommendation of Sprint's Board of Directors: The Sprint board of directors unanimously recommends that Sprint stockholders vote to approve all of the proposals set forth above (except the stockholder proposals, which the Sprint

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board of directors unanimously recommends that Sprint stockholders vote against), as more fully described under Sprint Annual Meeting beginning on page 89.

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Nextel

Nextel stockholders will be asked to vote on the following proposals:

to adopt the merger agreement;

to approve any motion to adjourn the Nextel annual meeting to another time or place, if necessary, to solicit additional proxies if there are insufficient votes at the time of the Nextel annual meeting to approve the merger proposal;

to elect three directors to serve for a term of three years;

to ratify the appointment of Deloitte & Touche LLP as Nextel's independent registered public accounting firm for 2005;

to adopt the Amended and Restated Incentive Equity Plan; and

to conduct any other business that properly comes before the Nextel annual meeting and any adjournment or postponement of the meeting.

Recommendation of Nextel's Board of Directors
The Nextel board of directors unanimously recommends that Nextel stockholders vote to approve all of the proposals set forth above, as more fully described under "Nextel Annual Meeting" beginning on page 135.

Table of Contents**Comparative Per Share Information (Unaudited)**

The following table shows per share data regarding earnings (loss) from continuing operations and book value per share for Sprint and Nextel on a historical, pro forma combined and pro forma equivalent basis. The pro forma book value per share information was computed as if the merger had been completed on December 31, 2004. The pro forma earnings (loss) from continuing operations information was computed as if the merger had been completed on January 1, 2004. The Nextel pro forma equivalent information was calculated by multiplying the corresponding pro forma combined data by an assumed stock exchange ratio of 1.28 to 1.0, which stock exchange ratio may vary as described under "The Merger Agreement - Consideration to be Received in the Merger" beginning on page 67. The equivalent per share data for Nextel does not give effect to the cash amount per share. This information shows how each share of Nextel class A and class B common stock would have participated in Sprint's losses from continuing operations and book value per share if the merger had been completed on the relevant dates and at the assumed stock exchange ratio of 1.28 to 1.0. These amounts do not necessarily reflect future per share amounts of earnings (losses) from continuing operations and book value per share of Sprint Nextel.

The following unaudited comparative per share data is derived from the historical consolidated financial statements of each of Sprint and Nextel. The information below should be read in conjunction with the financial statements and accompanying notes of Sprint and Nextel, which are incorporated by reference into this joint proxy statement/prospectus. We urge you also to read "Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page 172.

	As of or for the Year Ended December 31, 2004
Sprint Historical:	
Book value per share	\$ 9.17
Cash dividends per share	Note (1)
Diluted and basic loss per share from continuing operations (2)	\$ (0.71)
Nextel Historical:	
Book value per share	\$ 8.42
Cash dividends per share	
Earnings per share from continuing operations:	
Basic	\$ 2.69
Diluted	\$ 2.62
Sprint Nextel Pro Forma Combined:	
Book value per share	\$ 17.24
Cash dividends per share	Note (3)
Diluted and basic loss per share from continuing operations (2)	\$ (0.38)
Nextel Pro Forma Equivalent:	
Book value per share	\$ 22.07
Cash dividends per share	Note (3)
Diluted and basic loss per share from continuing operations	\$ (0.49)

- (1) On April 23, 2004, Sprint recombined its two tracking stocks. Each share of PCS common stock automatically converted into 0.50 shares of FON common stock. Before the recombination of the two tracking stocks, shares of PCS common stock did not receive dividends. For the year ended December 31, 2004, shares of FON common stock (before the conversion of shares of PCS common stock) received dividends of \$0.50 per share. In the 2004 first quarter, shares of FON common stock (before the conversion of shares of PCS common stock) received a dividend of \$0.125 per share. In the second, third and fourth quarters of 2004, shares of FON common stock, which included shares resulting from the conversion of shares of PCS common stock, received quarterly dividends of \$0.125 per share.

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- (2) As the effects of including the incremental shares associated with options, restricted stock units, convertible preferred stock and employees stock purchase plan shares are anti-dilutive, both diluted and basic loss per share reflect the same calculation.

- (3) For a discussion of the anticipated dividend and cash distribution policy of Sprint Nextel, see Comparative Stock Prices and Dividends Dividends and Other Distributions beginning on page 86.

Table of Contents**Market Prices and Dividends and Other Distributions****Stock Prices**

The table below presents the closing sales price of Sprint's series 1 FON stock, which trades on the NYSE under the symbol FON, the last reported sales price of Nextel class A common stock, which trades on the Nasdaq National Market, which we refer to as Nasdaq, under the symbol NXTL, and the market value of a share of Nextel class A common stock on an equivalent per share basis. These prices are presented on two dates:

December 14, 2004, the last trading day before the public announcement of the signing of the merger agreement; and

, 2005, the latest practicable date before the date of this joint proxy statement/prospectus.

	<u>Series 1 FON Stock</u>	<u>Nextel Class A Common Stock</u>	<u>Equivalent Per Share Data(1)</u>
December 14, 2004	\$ 25.10	\$ 29.99	\$ 32.63
, 2005	\$	\$	\$

- (1) The equivalent per share data for Nextel class A common stock has been determined by multiplying the closing sales price of a share of Sprint's series 1 FON stock on each of the dates by 1.3.

Dividends and Other Distributions

Sprint paid a Sprint series 1 common stock dividend of \$0.125 per share in each of the quarters of 2004 and 2003 and expects to continue paying dividends at current levels through completion of the merger. Sprint also paid a Sprint series 2 common stock dividend of \$0.125 per share in each of the last three quarters of 2004. Dividends on the Sprint series 1 common stock are paid when declared by the Sprint board of directors. If the Sprint board declares a dividend on one series of common stock, it must declare the same dividend on all outstanding series of common stock. Dividends on common stock may be declared only out of Sprint's surplus or out of its net profits for the fiscal year in which the dividend is declared or the preceding fiscal year. Before any dividends on common stock may be paid or declared and set apart for payment, Sprint must pay or declare and set apart for payment full cumulative dividends on all outstanding series of preferred stock. Upon the issuance of a new series of preferred stock, the Sprint board may provide for dividend restrictions on the common stock as to that series of preferred stock.

Nextel has not paid any dividends on its common stock and does not plan to pay dividends on its common stock for the foreseeable future. Nextel's indentures governing its public notes and its bank credit agreement and other financing documents prohibit Nextel from paying dividends, except in compliance with specified financial covenants, and limit Nextel's ability to dividend cash from the subsidiaries that operate its network to Nextel.

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The Sprint Nextel board will determine the Sprint Nextel dividend policy and, after the spin-off, the spun-off company's board will determine its dividend policy. Following the completion of the merger and until completion of any spin-off of Sprint's local telecommunications business, it is currently contemplated that Sprint Nextel will pay a reduced quarterly dividend to stockholders in aggregate amounts consistent with the aggregate dividends that the spun-off local telecommunications business would be likely to pay. Following completion of the contemplated spin-off, it is anticipated that Sprint Nextel will not pay a dividend. However, Sprint Nextel will evaluate its cash distribution policy from time to time, as appropriate in the context of its growth prospects and funding requirements. See "Contemplated Spin-off of Local Telecommunications Business" beginning on page 82.

Table of Contents**Selected Historical Financial Data of Sprint**

The following table sets forth selected historical financial data for Sprint. The following data at and for each of the five years ended December 31, 2004 have been derived from Sprint's audited consolidated financial statements. The consolidated financial statements for the year ended December 31, 2004 were audited by KPMG LLP and the consolidated financial statements for each of the four years ended December 31, 2003 were audited by Ernst & Young LLP. The following information should be read together with Sprint's audited consolidated financial statements and the notes related to those financial statements, which are incorporated by reference into this joint proxy statement/prospectus. The information set forth below is not necessarily indicative of the results of future operations.

(in millions, except per share amounts and ratios)

	Years Ended December 31,				
	2004	2003	2002	2001	2000
Statement of Operations Data:					
Net operating revenues	\$ 27,428	\$ 26,197	\$ 26,679	\$ 25,562	\$ 23,166
Operating income (loss) (1)(2)	(303)	1,007	2,096	(910)	280
Income (loss) from continuing operations (1)(2)(3)	(1,012)	(292)	451	(1,599)	(788)
Net income (loss) (1)(2)(3)(4)(5)	(1,012)	1,290	610	(1,447)	41
Diluted and basic earnings (loss) per common share from continuing operations (6)(7)	\$ (0.71)	\$ (0.21)	\$ 0.32	\$ (1.16)	\$ (0.58)
Diluted and basic earnings (loss) per common share (6)(7)	\$ (0.71)	\$ 0.91	\$ 0.43	\$ (1.05)	\$ 0.02
Diluted weighted average common shares outstanding (6)(7)	1,443.4	1,415.3	1,403.8	1,381.7	1,364.1
Basic weighted average common shares outstanding (6)(7)	1,443.4	1,415.3	1,400.0	1,381.7	1,364.1
Dividends per common share	Note (8)	Note (8)	Note (8)	Note (8)	Note (8)
Balance Sheet Data:					
Total assets	\$ 41,321	\$ 42,675	\$ 45,113	\$ 45,619	\$ 42,943
Property, plant and equipment, net (1)	22,628	27,101	28,565	28,786	25,166
Total debt (including short-term and long-term borrowings, equity unit notes and redeemable preferred stock)	17,451	19,407	22,273	22,883	18,975
Stockholders' equity	13,521	13,113	12,108	12,450	13,596
Ratio of earnings to combined fixed charges and preferred stock dividends: (9)	(a)	(b)	1.21	(c)	(d)

(1) In 2004, Sprint recorded net charges reducing operating income by \$3.7 billion to an operating loss and reducing income from continuing operations by \$2.4 billion to an overall loss from continuing operations. The charges related primarily to the long distance network impairment and restructurings partially offset by recoveries of fully reserved MCI Communications Corporation (formerly WorldCom, Inc.) receivables. The impairment of Sprint's long distance network assets, which was determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, resulted in a pre-tax, non-cash charge of \$3.5 billion. This charge was the result of the analysis of long distance business trends and projections that considered current industry and competitive conditions, recent regulatory rulings, evolving technologies and Sprint's strategy to expand its position as a leader in the development and delivery of subscriber solutions requiring transparent wireless and wireline connectivity. This charge reduced the net book value of Sprint's long distance property, plant and equipment by about 60%, to \$2.3 billion.

In 2003, Sprint recorded net charges reducing operating income by \$1.9 billion and reducing income from continuing operations by \$1.2 billion resulting in an overall loss from continuing operations. The charges related primarily to restructurings, asset impairments, and executive separation agreements, offset by recoveries of fully reserved MCI receivables.

In 2002, Sprint recorded charges reducing operating income by \$402 million and reducing income from continuing operations by \$253 million. The charges related primarily to restructurings, asset impairments and expected loss on MCI receivables.

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In 2001, Sprint recorded charges reducing operating income by \$1.8 billion to an operating loss and increasing the loss from continuing operations by \$1.2 billion. The charges related primarily to restructuring and asset impairments.

In 2000, Sprint recorded charges reducing operating income by \$425 million and increasing the loss from continuing operations by \$273 million. The charges related to the terminated WorldCom merger and asset impairments.

- (2) Sprint adopted SFAS No. 142, *Goodwill and Other Intangibles*, on January 1, 2002. Accordingly, amortization of goodwill, spectrum licenses and trademarks ceased as of that date, because they are indefinite life intangibles.
- (3) In 2004, Sprint recorded charges of \$72 million, net, for premiums paid on the early retirement of debt and the recognition of deferred debt costs. These charges increased loss from continuing operations by \$44 million.

In 2003, Sprint recorded charges of \$36 million, net, for premiums paid on the early retirement of debt and for the settlement of a securities class action lawsuit relating to the failed merger with WorldCom. Additionally, Sprint recorded a \$49 million tax benefit for the recognition of certain income tax credits and adjustments for state tax apportionments. In total, these items reduced loss from continuing operations by \$27 million.

In 2002, Sprint recorded charges of \$134 million related to a write-down of an investment due to declining market value offset by gains on the sales of subscriber contracts and Sprint's investment in Pegaso Telecomunicaciones, S.A. de C.V. Additionally, Sprint recognized a tax benefit related to capital losses not previously recognizable of \$292 million. In total, these items reduced loss from continuing operations by \$143 million.

In 2001, Sprint recorded charges of \$48 million, which increased the loss from continuing operations by \$81 million. These amounts primarily included a write-down of an equity investment offset by a curtailment gain on the modification of certain retirement plan benefits and a gain on investment activities.

In 2000, Sprint recorded charges of \$68 million, which increased the loss from continuing operations by \$74 million. The charges related primarily to write-downs of certain equity investments, offset by a gain from the sale of subscribers and network infrastructure to a PCS third party affiliate.

- (4) In 2003, Sprint recorded an after-tax gain of \$1.3 billion associated with the sale of its directory publishing business. In 2000, Sprint sold its interest in a joint venture, which provided international long distance telecommunications services.
- (5) Sprint adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*, on January 1, 2003. The local telecommunications division historically accrued costs of removal in its depreciation reserves consistent with industry practice. These costs of removal do not meet the SFAS No. 143 definition of an asset retirement obligation. Accordingly, Sprint recorded a credit of \$420 million to remove the accumulated excess cost of removal resulting in a cumulative effect of change in accounting principle credit of \$258 million, net of tax.
- (6) All per share amounts have been restated, for all periods before 2004, to reflect the recombination of the FON common stock and PCS common stock as of the earliest period presented at an identical conversion ratio (0.50). The conversion ratio was also applied to dilutive PCS securities (mainly stock options, employees stock purchase plan shares, convertible preferred stock and restricted stock units) to

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determine diluted weighted average shares on a consolidated basis.

- (7) As the effects of including the incremental shares associated with options, restricted stock units and employees stock purchase plan shares are antidilutive, both basic loss per share and diluted loss per share reflect the same calculation for the years ended December 31, 2004, 2003, 2001 and 2000.

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(8) Before the recombination of the two tracking stocks, shares of PCS common stock did not receive dividends. For each of the five years ended December 31, 2004, shares of FON common stock (before the conversion of shares of PCS common stock) received dividends of \$0.50 per share. In the 2004 first quarter, shares of FON common stock (before the conversion of shares of PCS common stock) received a dividend of \$0.125 per share. In the second, third and fourth quarters of 2004, shares of FON common stock, which included shares resulting from the conversion of shares of PCS common stock, received quarterly dividends of \$0.125 per share.

(9) For purposes of calculating the ratio,

(1) earnings include:

income (loss) from continuing operations before taxes, plus

equity in the net losses of less-than-50% owned entities, less

capitalized interest; and

(2) fixed charges include:

interest on all debt of continuing operations;

amortization of debt issuance costs; and

the interest component of operating rents.

For purposes of calculating the ratio of earnings to combined fixed charges and preferred stock dividends, preferred stock dividends include the amount of pre-tax earnings required to pay the dividends on outstanding preferred stock.

The ratio of earnings to combined fixed charges and preferred stock dividends is calculated as follows:

$$\frac{\text{(earnings + fixed charges)}}{\text{(fixed charges) + (pretax earnings required to cover preferred stock dividends)}}$$

Pretax earnings required to cover preferred stock dividends are calculated as follows:

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preferred stock dividends, as adjusted for the tax benefits related to unallocated shares

1 (Sprint's effective income tax rate)

- (a) Earnings, as adjusted, were inadequate to cover fixed charges and preferred stock dividends by \$1.6 billion in 2004.
- (b) Earnings, as adjusted, were inadequate to cover fixed charges and preferred stock dividends by \$491 million in 2003.
- (c) Earnings, as adjusted, were inadequate to cover fixed charges and preferred stock dividends by \$2.3 billion in 2001.
- (d) Earnings, as adjusted, were inadequate to cover fixed charges and preferred stock dividends by \$910 million in 2000.

Table of Contents**Selected Historical Financial Data of Nextel**

The following table sets forth selected historical financial data for Nextel. The following data at and for each of the five years ended December 31, 2004 have been derived from Nextel's audited consolidated financial statements. The following information should be read together with Nextel's audited consolidated financial statements and the notes related to those financial statements, which are incorporated by reference into this joint proxy statement/prospectus. The information set forth below is not necessarily indicative of the results of future operations.

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in millions, except per share amounts)				
Statement of Operations Data					
Operating revenues	\$ 13,368	\$ 10,820	\$ 8,721	\$ 7,689	\$ 5,714
Cost of revenues (exclusive of depreciation included below)	4,003	3,169	2,535	2,888	2,188
Selling, general and administrative	4,241	3,453	3,039	3,020	2,278
Restructuring and impairment charges			35	1,769	
Depreciation and amortization	1,841	1,694	1,595	1,746	1,265
Operating income (loss)	3,283	2,504	1,517	(1,734)	(17)
Interest expense, net	(565)	(802)	(990)	(1,196)	(849)
(Loss) gain on retirement of debt, net of debt conversion costs	(117)	(245)	354	469	(127)
Gain on deconsolidation of NII Holdings, Inc.			1,218		
Equity in earnings (losses) of unconsolidated affiliates, net	15	(58)	(309)	(95)	(152)
Other (expense) income, net	29	225	(39)	(223)	281
Income tax benefit (provision)	355	(113)	(391)	135	33
Net (loss) income	3,000	1,511	1,360	(2,644)	(831)
Gain (loss) on retirement of mandatorily redeemable preferred stock		(7)	485		
Mandatorily redeemable preferred stock dividends and accretion	(9)	(58)	(211)	(233)	(209)
Income (loss) available to common stockholders	\$ 2,991	\$ 1,446	\$ 1,634	\$ (2,877)	\$ (1,040)
Earnings (loss) per common share					
Basic	\$ 2.69	\$ 1.38	\$ 1.85	\$ (3.70)	\$ (1.38)
Diluted	\$ 2.62	\$ 1.34	\$ 1.75	\$ (3.70)	\$ (1.38)
Weighted average number of common shares outstanding					
Basic	1,111	1,047	884	778	756
Diluted	1,152	1,089	966	778	756

	December 31,				
	2004	2003	2002	2001	2000
Balance Sheet Data					
Total assets	\$ 22,744	\$ 20,510	\$ 21,477	\$ 22,064	\$ 22,686
	\$ 8,549	\$ 10,212	\$ 12,550	\$ 14,865	\$ 12,212

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Domestic long-term debt, capital lease and finance obligations, including current portion (in millions)

Mandatorily redeemable preferred stock (in millions)	\$ 108	\$ 99	\$ 1,015	\$ 2,114	\$ 1,881
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Highlighted below are certain transactions and factors that may be significant to an understanding of Nextel's financial condition and comparability of results of operations.

NII Holdings. The information presented above that is derived from Nextel's consolidated financial statements includes the consolidated results of NII Holdings, Inc. through December 31, 2001. During 2001, NII Holdings recorded a non-cash pre-tax restructuring and impairment charge of \$1,747 million in connection with its decision to discontinue funding one of its operating companies and the implementation of its revised business plan.

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In November 2002, NII Holdings, which before that time had been Nextel's substantially wholly owned subsidiary, completed its reorganization under Chapter 11 of the U.S. Bankruptcy Code having filed a voluntary petition for reorganization in May 2002 in the U.S. Bankruptcy Court for the District of Delaware after it and one of its subsidiaries defaulted on credit and vendor finance facilities. Before its bankruptcy filing, NII Holdings was accounted for as one of Nextel's consolidated subsidiaries. As a result of NII Holdings' bankruptcy filing in May 2002, Nextel began accounting for its investment in NII Holdings using the equity method. In accordance with the equity method of accounting, Nextel did not recognize equity losses of NII Holdings after May 2002 as it had already recognized \$1,408 million of losses in excess of its investment in NII Holdings through that date. NII Holdings' net operating results through May 2002 have been presented as equity in losses of unconsolidated affiliates, as permitted under the accounting rules governing a mid-year change from consolidating a subsidiary to accounting for the investment using the equity method. However, the presentation of NII Holdings in the financial statements as a consolidated subsidiary in 2001 has not changed from prior presentation. The following table provides the operating revenues and net loss of NII Holdings included in Nextel's consolidated results for 2001 and prior periods, excluding the impact of intercompany eliminations:

	<u>2001</u>	<u>2000</u>
Operating revenues	\$ 680	\$ 330
Net loss	2,497	417

Upon NII Holdings' emergence from bankruptcy in November 2002, Nextel recognized a non-cash pre-tax gain on deconsolidation of NII Holdings in the amount of \$1,218 million consisting primarily of the reversal of equity losses it had recorded in excess of its investment in NII Holdings, partially offset by charges recorded when it consolidated NII Holdings, including, among other items, \$185 million of cumulative foreign currency translation losses. At the same time, Nextel began accounting for its new ownership interest in NII Holdings using the equity method, under which Nextel recorded its proportionate share of NII Holdings' results of operations. In November 2003, Nextel sold 3.0 million shares of NII Holdings common stock, which generated \$209 million in net proceeds and a gain of \$184 million.

Operating Revenues and Cost of Revenues. Effective July 1, 2003, Nextel adopted the provisions of Emerging Issues Task Force, or EITF, Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*. EITF Issue No. 00-21 provides guidance on when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. Accordingly, for all handset sale arrangements entered into beginning in the third quarter 2003, Nextel recognizes revenue and the related cost of revenue when title to the handset passes to the subscriber. Before July 1, 2003, in accordance with Staff Accounting Bulletin, or SAB, No. 101, *Revenue Recognition in Financial Statements*, Nextel recognized revenue from handset sales and an equal amount of the related cost of revenue on a straight-line basis over the expected subscriber relationship period of 3.5 years, beginning when title to the handset passed to the subscriber. Therefore, the adoption of EITF 00-21 resulted in increased handset revenues and cost of handset revenues in 2003 as compared to 2002.

Nextel elected to apply the provisions of EITF Issue No. 00-21 to its existing subscriber arrangements. Accordingly, on July 1, 2003, Nextel reduced its current assets and liabilities by about \$563 million and its noncurrent assets and liabilities by about \$783 million, representing substantially all of the revenues and costs associated with the original sale of handsets that were deferred under SAB No. 101. Additional information regarding Nextel's adoption of EITF Issue No. 00-21 can be found in note 1 to the consolidated financial statements appearing in Nextel's annual report on Form 10-K for the year ended December 31, 2004.

Adoption of SFAS No. 142. Effective January 1, 2002, Nextel adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. Under SFAS No. 142, Nextel is no longer required to amortize goodwill and intangible assets with indefinite useful lives, which consist of FCC licenses. In the first quarter 2002, Nextel incurred a one-time cumulative non-cash charge to the income tax provision of \$335 million to increase the

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valuation allowance related to its net operating losses. This cumulative charge was required since Nextel has significant deferred tax liabilities related to its FCC licenses that have a significantly lower tax basis than book basis. Additional information regarding the adoption of SFAS No. 142 can be found in note 5 to the consolidated financial statements appearing in Nextel's annual report on Form 10-K for the year ended December 31, 2004.

Long-Term Debt, Preferred Stock and Finance Obligation. During the second quarter 2002 and continuing throughout 2003 and 2004, Nextel reduced its outstanding debt obligations through the redemption, purchase and retirement of some of its long-term debt and preferred stock. Nextel used some of the proceeds from newly issued senior notes and a new term loan under the bank credit facility, together with its existing cash resources, to redeem and retire certain senior notes, then-existing term loans under the facility and preferred stock. These newly issued senior notes and the new term loan have lower interest rates and longer maturity periods than the notes and loans that were retired. Nextel also issued shares of its class A common stock in exchange for some of its outstanding debt securities. Additional information can be found in note 6 to Nextel's consolidated financial statements appearing at the end of its annual report on Form 10-K for the year ended December 31, 2004.

Income Tax Benefit (Provision). Nextel maintains a valuation allowance that includes reserves against certain of its deferred tax asset amounts in instances where it determines that it is more likely than not that a tax benefit will not be realized. Nextel's valuation allowance has historically included reserves primarily for the tax benefit of net operating loss carryforwards, as well as for capital loss carryforwards, separate return net operating loss carryforwards and the tax benefit of stock option deductions relating to employee compensation. Before June 30, 2004, Nextel had recorded a full reserve against the tax benefits relating to its net operating loss carryforwards because, at that time, Nextel did not have a sufficient history of taxable income to conclude that it was more likely than not that it would be able to realize the tax benefits of the net operating loss carryforwards. Accordingly, Nextel recorded in its income statement only a small provision for income taxes, as its net operating loss carryforwards resulting from losses generated in prior years offset virtually all of the taxes that Nextel would have otherwise incurred.

During 2004, based on Nextel's cumulative operating results and an assessment of its expected future operations, Nextel concluded that it was more likely than not that it would be able to realize the tax benefits of its net operating loss carryforwards. Therefore, Nextel decreased the valuation allowance attributable to its net operating loss carryforwards by \$901 million as a credit to tax expense. Additionally, Nextel decreased the valuation allowance attributable to the tax benefit of stock option deductions related to employee compensation and credited paid-in capital by \$389 million. Also during 2004, Nextel determined that it was more likely than not that it would utilize a portion of its capital loss carryforwards before their expiration. Accordingly, Nextel decreased the valuation allowance primarily attributable to capital loss carryforwards by \$212 million as a credit to tax expense. Additional information can be found in note 9 to Nextel's consolidated financial statements appearing at the end of its annual report on Form 10-K for the year ended December 31, 2004.

Other Income (Expense), Net. As discussed in note 3 to Nextel's consolidated financial statements appearing at the end of its annual report on Form 10-K for the year ended December 31, 2004, other income (expense), net in 2003 includes a \$184 million gain on Nextel's sale of common stock of NII Holdings and a \$39 million gain related to the redemption of the redeemable preferred stock that Nextel held in Nextel Partners. Other income (expense), net in 2001 includes a \$188 million other-than-temporary reduction in the fair value of NII Holdings' investment in TELUS Mobility, Inc. Other income (expense), net in 2000 includes a \$275 million gain realized when NII Holdings exchanged its stock in Clearnet Communications, Inc. for stock in TELUS Mobility as a result of the acquisition of Clearnet by TELUS Mobility.

Table of Contents**Summary Unaudited Pro Forma Condensed Combined Financial Data**

The following summary unaudited pro forma condensed combined financial information is designed to show how the merger of Sprint and Nextel might have affected historical financial statements if the merger had been completed at an earlier time. The following summary unaudited pro forma condensed combined financial information was prepared based on the historical financial results reported by Sprint and Nextel in their filings with the SEC. The following should be read in connection with Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 172 and the Sprint and Nextel audited financial statements, which are incorporated by reference into this joint proxy statement/prospectus.

The unaudited pro forma balance sheet assumes that the merger took place on December 31, 2004 and combines Sprint's December 31, 2004 consolidated balance sheet with Nextel's December 31, 2004 consolidated balance sheet. The unaudited pro forma statement of operations for the year ended December 31, 2004 give effect to the merger as if it occurred on January 1, 2004.

The summary unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the financial condition or results of operations of future periods or the financial condition or results of operations that actually would have been realized had the entities been a single entity during these periods.

	Sprint Nextel Pro Forma
	As of or for the
	Year Ended
	December 31, 2004
	(in millions, except
	per share amounts)
Statement of Operations Data:	
Net revenue	\$ 40,796
Loss from continuing operations	(1,063)
Diluted and basic average number of shares of common stock outstanding (1)	2,865.3
Diluted and basic loss per share from continuing operations (1)	\$ (0.38)
Balance Sheet Data:	
Cash and equivalents	\$ 5,417
Working capital	5,045
Total assets	102,564
Long-term debt and capital lease obligations (net of current portion) (including redeemable preferred stock)	25,413
Total stockholders' equity	50,032