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 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 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,

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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

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;

- 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,

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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

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.

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