SPRINT NEXTEL CORP
Form 424B5
November 08, 2012
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Registration No. 333-171301

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated November 8, 2012

PROSPECTUS SUPPLEMENT

(To prospectus dated December 20, 2010)

$

Sprint Nextel Corporation

% Notes due 2022

We are offering $ aggregate principal amount of % Notes due 2022, which we refer to as the notes. We will pay interest on the notes on and of each year, beginning , 2013. The notes will mature on , 2022. We may redeem some or all of the notes at any time and from time to time at the redemption price described in this prospectus supplement under Description of Notes Optional redemption. If a change of control triggering event as described in this prospectus supplement under the heading Description of Notes Repurchase of notes upon a Change of Control Triggering Event occurs, we will be required to offer to purchase the notes in cash from the holders at a price equal to 101% of their aggregate principal amount, plus accrued but unpaid interest to, but not including, the date of repurchase.

The notes will be general unsecured senior obligations and rank equally with our existing and future unsecured senior indebtedness. The notes will be effectively subordinated to the indebtedness (including guarantees) and other liabilities (including trade payables) of our subsidiaries, as well as our secured indebtedness to the extent of the value of the assets securing such debt.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-3 of this prospectus supplement.

	Per Note	Total
Public offering price (1)	%	$
Underwriting discount	%	$
Proceeds, before expenses, to us (1)	%	$

(1) Plus accrued interest from , 2012, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about , 2012.

Joint Book-Running Managers

BofA Merrill Lynch **Barclays**

Citigroup **Deutsche Bank Securities** **Goldman, Sachs & Co.** **J.P. Morgan**

Senior Co-Managers

Credit Suisse **Scotiabank** **Wells Fargo Securities**

Co-Manager

The Williams Capital Group, L.P.

The date of this prospectus supplement is , 2012.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read the entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described under Where You Can Find More Information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless otherwise specified or unless the context requires otherwise, all references in this prospectus supplement to Sprint, we, us, our or similar references mean Sprint Nextel Corporation and its consolidated subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). You may read and copy any of this information at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the public reference room. The SEC also maintains an Internet website that contains reports, proxy statements and other information regarding issuers, including us, who file electronically with the SEC. The address of that site is *www.sec.gov*.

Our SEC filings are also available at the offices of the New York Stock Exchange (the NYSE), 20 Broad Street, New York, New York 10005. Our SEC filings are also available on our website at *www.sprint.com*, although the information on, or connected to, our website is expressly not incorporated by reference into, and does not constitute a part of, this prospectus supplement or the accompanying prospectus.

This prospectus supplement and the accompanying prospectus contain summaries of provisions contained in some of the documents discussed in this prospectus supplement, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by reference to the actual documents. Copies of certain of the documents referred to in this prospectus supplement have been filed with or are incorporated by reference as exhibits to the registration statement of which this prospectus supplement and the accompanying prospectus are a part. If any contract, agreement or other document is filed or incorporated by reference as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Do not rely on or assume the accuracy of any representation or warranty in any agreement that we have filed or incorporated by reference as an exhibit to the registration statement because such representation or warranty may be subject to exceptions and qualifications contained in separate disclosure schedules, may have been included in such agreement for the purpose of allocating risk between the parties to the particular transaction, and may no longer continue to be true as of any given date.

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Incorporation of Documents by Reference

The SEC allows us to incorporate by reference information into this prospectus supplement. This means we can disclose information to you by referring you to another document we filed with the SEC. We will make those documents available to you without charge upon your oral or written request. Requests for those documents should be directed to Sprint Nextel Corporation, 6200 Sprint Parkway, Overland Park, Kansas 66251, Attention: Investor Relations, telephone: 800-259-3755.

This prospectus supplement incorporates by reference the following documents that we have filed with the SEC but have not included or delivered with this prospectus supplement and the accompanying prospectus:

- Annual report on Form 10-K for the fiscal year ended December 31, 2011 filed on February 27, 2012;

- Quarterly reports on Form 10-Q for the quarters ended March 31, 2012, filed on May 3, 2012, June 30, 2012, filed on August 2, 2012, and September 30, 2012, filed on November 7, 2012; and

- Current reports on Form 8-K filed on February 13, 2012, February 27, 2012 (two reports filed), February 28, 2012, March 1, 2012, May 4, 2012, May 18, 2012, August 8, 2012, August 14, 2012 and October 15, 2012 (Film Number 121144492) and Form 8-K/A filed on February 28, 2012 (two reports filed) and October 4, 2012.

We are also incorporating by reference additional documents we may file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) after the date of this prospectus supplement until the offering of the securities covered by this prospectus supplement has been completed, other than any portion of the respective filings furnished, rather than filed, under the applicable SEC rules. This additional information is a part of this prospectus supplement from the date of filing of those documents.

Any statements made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference into this prospectus supplement or the accompanying prospectus will be deemed to be modified or superseded to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document which is also incorporated or deemed to be incorporated into this prospectus supplement or the accompanying prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

The information relating to us contained in this prospectus supplement or the accompanying prospectus should be read together with the information in the documents incorporated by reference.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Exchange Act. They can be identified by the use of forward-looking words, such as may, could, estimate, project, forecast, intend, expe believe, target, providing guidance or other comparable words, or by discussions of strategy that may involve risks and uncertainties. We caution you that these forward-looking statements are only predictions, which are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- our ability to retain and attract subscribers;
- the ability of our competitors to offer products and services at lower prices due to lower cost structures;
- The uncertainties related to our proposed transaction with SOFTBANK CORP. and certain of its wholly-owned subsidiaries (together, SoftBank);
- the effects of vigorous competition on a highly penetrated market, including the impact of competition on the price we are able to charge subscribers for services and equipment we provide and our ability to retain existing subscribers and attract new subscribers; the impact of equipment net subsidy costs; the impact of increased purchase commitments; the overall demand for our service offerings, including the impact of decisions of new or existing subscribers between our postpaid and prepaid services offerings and between our two network platforms; and the impact of new, emerging and competing technologies on our business;
- the ability to generate sufficient cash flow to fully implement our network modernization plan, Network Vision, to improve and enhance our networks and service offerings, improve our operating margins, implement our business strategies and provide competitive new technologies;
- the effective implementation of Network Vision, including timing, execution, technologies, and costs;
- our ability to retain Nextel platform subscribers on the Sprint platform and mitigate related increases in churn;
- our ability to access additional spectrum capacity, including through spectrum hosting arrangements;
- changes in available technology and the effects of such changes, including product substitutions and deployment costs;
- our ability to obtain additional financing on terms acceptable to us, or at all;
- volatility in the trading price of our common stock, current economic conditions and our ability to access capital;

the impact of unrelated parties not meeting our business requirements, including a significant adverse change in the ability or willingness of such parties to provide devices or infrastructure equipment for our networks;

the costs and business risks associated with providing new services and entering new geographic markets;

the financial performance of Clearwire Corporation and its subsidiary Clearwire Communications LLC (together, Clearwire) and its ability to fund, build, operate, and maintain its fourth generation (4G) network, including a Long Term Evolution (LTE) network;

- our ability to access Clearwire s spectrum capacity;
- the compatibility of Sprint s LTE network with Clearwire s LTE network;
- the effects of mergers and consolidations and new entrants in the communications industry and unexpected announcements or developments from others in the communications industry;
- unexpected results of litigation filed against us or our suppliers or vendors;
- the impact of adverse network performance;
- the costs or potential customer impacts of compliance with regulatory mandates including, but not limited to, compliance with the Federal Communications Commission s (FCC) Report and Order to reconfigure the 800 MHz band (Report and Order);
- equipment failure, natural disasters, terrorist acts or other breaches of network or information technology security;
- one or more of the markets in which we compete being impacted by changes in political, economic or other factors such as monetary policy, legal and regulatory changes, or other external factors over which we have no control; and
- other risks referenced from time to time in our filings with the SEC.

We specifically disclaim any obligation to update any factors or publicly announce the results of revisions to any of the forward-looking statements included in this prospectus supplement or the accompanying prospectus, including the information incorporated by reference, to reflect future events or developments.

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SUMMARY OF THE OFFERING

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the sections entitled Description of Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus.

Issuer	Sprint Nextel Corporation
Securities Offered	$ aggregate principal amount of % Notes due 2022.
Maturity	The notes will mature on , 2022.
Interest Rate	The notes will bear interest at % per annum.
Interest Payment Dates	Each and , commencing , 2013. Interest will accrue from , 2012.
Ranking	The notes will be our general unsecured senior obligations and will:
	rank equally with our other unsecured senior indebtedness;
	be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of our subsidiaries, including the secured equipment credit facility and the subsidiary guarantees of our existing revolving credit facility, our loan agreement with Export Development Canada, which we refer to as our EDC loan, our 9.000% guaranteed notes due 2018 and our 7.000% guaranteed notes due 2020; and
	be effectively subordinated to all secured indebtedness to the extent of the value of the assets securing such debt.
Optional Redemption	The notes will be redeemable, from time to time, as a whole or in part, at our option, at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed, and the sum of the present values of the remaining scheduled payments of principal and interest that would be due but for the redemption, discounted to the redemption date, on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined in Description of Notes Optional redemption), plus basis points; plus accrued interest to the date of redemption that has not been paid. See Description of Notes Optional redemption.
Repurchase of notes upon a Change of Control Triggering Event	The occurrence of a Change of Control (as defined in Description of Notes Repurchase of notes upon a Change of Control Triggering Event), together with a Ratings Decline (as defined in Description of Notes Repurchase of notes upon a Change of Control Triggering Event), will be a triggering event requiring us to offer to purchase from you all or a portion of your notes at a price equal to 101% of their aggregate principal amount, together with

accrued and unpaid interest, if any, up to but excluding the date of repurchase.

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Use of Proceeds	We intend to use the net proceeds from this offering for redemptions of outstanding debt. See Use of Proceeds.
Trustee	The Bank of New York Mellon Trust Company, N.A.
Risk Factors	In evaluating an investment in the notes, prospective investors should carefully consider, along with the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, the specific factors set forth under Risk Factors for risks involved with an investment in the notes.

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RISK FACTORS

Any investment in the notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding whether to purchase the notes. If any of those risks actually occurs, our business, financial condition and results of operations could suffer. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See Cautionary Note Regarding Forward-Looking Statements in this prospectus supplement.

Risks related to the offering

The notes will be effectively subordinated to the debt (including guarantees) and other liabilities (including trade payables) of our subsidiaries and to any of our secured debt to the extent of the value of the assets securing such debt.

We are primarily a holding company, which means substantially all of our business operations are conducted, and substantially all of our consolidated assets are held, by our subsidiaries. These subsidiaries are separate and distinct legal entities that do not guarantee the notes and therefore they have no obligation, contingent or otherwise, to pay any amounts due on the notes or to make any funds available for such purpose, whether by dividends, loans or other payments. In the event of any liquidation, dissolution, reorganization, bankruptcy, insolvency or similar proceeding with respect to any of our subsidiaries, our right (and the consequent right of our creditors, including the holders of the notes) to participate in the distribution of, or to realize the proceeds from, that subsidiary s assets will be effectively subordinated to the claims of such subsidiary s creditors (including trade creditors). As a result, the notes will be effectively subordinated to all existing and future debt (including guarantees) and other liabilities of our subsidiaries. In addition, because the notes are unsecured, if we were to issue any secured debt, the notes would be effectively subordinated to that secured debt to the extent of the value of the assets securing such debt.

As of September 30, 2012, our consolidated indebtedness was approximately $21.3 billion. In addition, in October 2012, Sprint Nextel Corporation, the parent corporation, issued to SoftBank a convertible bond, which we refer to as the Bond, in the principal amount of $3.1 billion, which upon receipt of regulatory approval will be converted to equity immediately prior to the consummation of the merger (as defined below). In addition, although Sprint Nextel Corporation has senior notes outstanding, the majority of the other long-term debt and capital lease obligations reflected in our consolidated financial statements has been issued by Sprint Nextel Corporation s wholly-owned subsidiaries. As of September 30, 2012, Sprint Nextel Corporation, had approximately $11.5 billion in principal amount of debt outstanding, including amounts drawn under credit facilities but excluding outstanding letters of credit thereunder in the amount of $1.0 billion. In addition, as of September 30, 2012, principal of $9.0 billion of our long-term debt issued by Sprint Nextel Corporation s wholly-owned subsidiaries was guaranteed by Sprint Nextel Corporation, of which approximately $6.8 billion was fully and unconditionally guaranteed. Our wholly-owned subsidiaries combined outstanding debt, financing and capital lease obligations totaled $9.8 billion in principal amount at September 30, 2012. Also as of September 30, 2012, our wholly-owned subsidiaries that guarantee our revolving credit facility also guaranteed $4.5 billion in principal amount of outstanding debt issued by Sprint Nextel Corporation.

Our cash flow and our ability to meet our payment obligations on our debt, including the notes, is dependent on the earnings of our subsidiaries and the distribution of those earnings to us in the form of dividends, loans, advances or other payments. The indenture governing the notes does not contain any covenants that restrict the ability of our subsidiaries to agree to covenants or enter into other arrangements that would limit the ability of our subsidiaries to make distributions to us. The indentures and financing arrangements of certain of our subsidiaries contain provisions that limit the ability of the subsidiaries to pay dividends on their common stock, and future debt agreements may contain more restrictive provisions which could adversely affect our ability to meet our payment obligations on our debt, including the notes.

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The indenture, together with the supplemental indenture that governs the notes, does not restrict our or our subsidiaries ability to incur additional indebtedness, which could make our debt securities, including the notes, more risky in the future.

As of September 30, 2012, our consolidated indebtedness was approximately $21.3 billion. In addition, in October 2012, Sprint Nextel Corporation issued to SoftBank the Bond in principal amount of $3.1 billion, which upon receipt of regulatory approval will be converted to equity immediately prior to consummation of the merger. The indenture, together with the supplemental indenture that governs the notes, does not restrict our ability or our subsidiaries ability to incur additional indebtedness. The degree to which we incur additional debt could have important consequences to holders of the notes, including:

- making it harder for us to satisfy our obligations under the notes;
- a loss in trading value;
- a risk that the credit rating of the notes is lowered or withdrawn;
- limiting our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements, acquisitions or other purposes;
- requiring us to dedicate a substantial portion of our cash flows from operations to the payment of indebtedness and not for other purposes, such as working capital and capital expenditures;
- limiting our flexibility to plan for, or react to, changes in our businesses;
- making us more indebted than some of our competitors, which may place us at a competitive disadvantage; and
- making us more vulnerable to a downturn in our businesses.

If an active trading market for the notes does not develop or last, you may not be able to resell your notes when desired, at their fair market value or at all.

The notes constitute new issues of securities with no established trading market. We do not intend to list the notes on any securities exchange or to include the notes in any automated quotation system. Accordingly, no market for the notes may develop, and any market that develops may not last. If the notes are traded, the market price of the notes may decline depending on prevailing interest rates, the market for similar securities, our performance and other factors. To the extent that an active trading market does not develop, you may not be able to resell your notes when desired, at their fair market value or at all.

In certain instances, it is possible for the indenture governing the notes to be amended and for compliance with certain covenants and for certain defaults thereunder to be waived with the consent of the holders of the notes voting together with the holders of other of our debt securities, voting together as a single class.

Subject to certain exceptions, the indenture governing the notes may be amended by us and the trustee with the consent of the holders of debt securities issued under the indenture, including the notes. In addition to the notes offered hereby, there are seven series of debt securities issued and outstanding under the indenture, representing a total of $10.8 billion aggregate principal amount. With respect to any such series of debt securities, the required consent can be obtained from either the holders of a majority in principal amount of the debt securities of that series, or from the holders of a majority in principal amount of the debt securities of that series and all other series issued under the indenture affected by that amendment, voting as a single class. In addition, subject to certain exceptions, with respect to any series of debt securities issued under the indenture, our

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compliance with certain restrictive provisions of the indenture or any past default under the indenture may be waived by (i) the holders of a majority in principal amount of that series of debt securities or (ii) the holders of a majority in principal amount of that series of debt securities and all other series affected by the waiver, whether issued under the indenture or any of our other indentures providing for such aggregated voting, all voting as a single class. As a result, it is possible in certain circumstances for the indenture governing the notes to be amended and for compliance with certain covenants and for certain defaults thereunder to be waived with the consent of holders of less than a majority of the notes outstanding.

We may not have sufficient funds to repurchase the notes upon a Change of Control together with a Ratings Decline, and certain strategic transactions may not constitute a Change of Control.

The occurrence of a Change of Control together with a Ratings Decline will be a triggering event requiring us to offer to repurchase the notes at a purchase price equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest on the notes up to but excluding the date of repurchase. It is possible that we will not have sufficient funds upon a Change of Control and Ratings Decline to make the required repurchase of notes and any failure to do so could result in cross defaults under our other debt agreements. In addition, some of our debt agreements or other similar agreements to which we become a party may contain restrictions on our ability to purchase the notes, regardless of the occurrence of a Change of Control Triggering Event (as defined in Description of Notes Repurchase of notes upon a Change of Control Triggering Event).

We frequently evaluate and may in the future enter into strategic transactions. Any such transaction could happen at any time, could be material to our business and could take any number of forms, including, for example, an acquisition, merger or sale of assets. On October 15, 2012, Sprint Nextel Corporation entered into an Agreement and Plan of Merger, or the Merger Agreement, and a Bond Purchase Agreement, or the Bond Agreement, with SoftBank, pursuant to which SoftBank has agreed to invest, in the aggregate, approximately $20.1 billion for an approximately 70% controlling interest in a subsidiary, which we refer to as New Sprint, of SoftBank. The remaining 30% interest in New Sprint will be publicly traded. Following consummation of the transactions contemplated by the Merger Agreement, which we refer to as the merger, New Sprint will own 100% of the equity interest of Sprint Nextel Corporation. As discussed below in Description of Notes Repurchase of notes upon a Change of Control Triggering Event, the definition of Change of Control with respect to the notes offered hereby specifically excludes transactions involving one or more Permitted Holders, which includes SoftBank and its affiliates, and could include a subsequent controlling investor in SoftBank. As a result, even in the event of a Ratings Decline, the merger will not constitute a Change of Control Triggering Event and, therefore, will not require us to make an offer to repurchase the notes offered hereby. In the future, we could enter into certain other transactions that, although material, would not result in a Change of Control Triggering Event and, therefore, would not require us to make an offer to repurchase the notes. Such transactions could significantly increase the amount of our indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings.

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Risks related to our business and operations

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, which could result in several outcomes, including controlling investments by third parties, takeover bids, liquidation of assets or insolvency. Beginning in 2008 through September 30, 2012, we experienced decreases in our total retail postpaid subscriber base of approximately 9.5 million subscribers (excluding the impact of our 2009 acquisitions), while our two largest competitors increased their subscribers during that period. In addition, our average postpaid churn rate was 1.96%, 1.86% and 1.95% for the nine months ended September 30, 2012 and the years ended December 31, 2011 and 2010, respectively, while our two largest competitors had churn rates that were substantially lower. Although we have begun to see a reduction in our net loss of postpaid subscribers, if this trend does not continue, our financial condition, results of operations and liquidity could be materially adversely affected.

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

our successful execution of marketing and sales strategies, including the acceptance of our value proposition; service delivery and customer care activities, including new account set up and billing; and our credit and collection policies;

Clearwire s ability to successfully obtain additional financing for the continued operation and build-out of its 4G networks;

our ability to access Clearwire s spectrum;

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 future offerings on our multi-mode network, such as Sprint Direct Connect®;

actual or perceived quality and coverage of our networks, including Clearwire s 4G network;

public perception about our brands;

our ability to anticipate and develop new or enhanced technologies, products and services that are attractive to existing or potential subscribers;

our ability to access additional spectrum, including through spectrum hosting arrangements;

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; and our ability to maintain our current mobile virtual network operator (MVNO) relationships and to enter into new arrangements with MVNOs.

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Our recent success in attracting more postpaid subscribers and reducing postpaid churn on our Sprint platform may also not be sustainable. 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. In addition, more than 80% of the remaining 2.3 million Nextel platform postpaid subscribers represent business accounts. Accordingly, we expect the level of competition for these subscribers as well as the timing of business customer decisions to cause the rate of recapture for subsequent periods to decline through the final shutdown of the Nextel platform.

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, Inc. 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. Beginning in 2008 through September 30, 2012, we experienced decreases in our total retail postpaid subscriber base of approximately 9.5 million subscribers (excluding the impact of our 2009 acquisitions), while our two largest competitors increased their subscribers over the same period.

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 are less stringent than our investment grade 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.

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

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

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

Some competitors and new entrants may be able to offer subscribers network features or products and services not offered by us, coverage in areas not served by our wireless networks or pricing plans that are lower than those offered by us, all of which would negatively affect our average revenue per subscriber, subscriber churn, ability to attract new subscribers, and operating costs. For example, our prepaid services compete with several carriers, including Metro PCS and Leap Wireless, which offer competitively-priced prepaid calling plans that include unlimited long distance, texting and, in some cases, unlimited data (including 4G). In addition, we may lose subscribers of our higher priced plans to our prepaid offerings.

The success of our 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.

We must continually invest in our wireless network in order to continually improve our wireless service to meet the increasing demand for usage of our data and other non-voice services and remain competitive. Improvements in our service depend on many factors, including continued access to and deployment of adequate spectrum. We must maintain and expand our network capacity and coverage as well as the associated wireline network needed to transport voice and data between cell sites. If we are 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, our ability to retain and attract subscribers could be materially adversely affected, which would negatively impact our operating margins.

We are 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, or is unable to provide Sprint platform push-to-talk capabilities, such as Sprint Direct Connect®, of comparable quality to the push-to-talk capabilities of our existing Nextel platform or our competitors similar services, our ability to provide enhanced wireless services to our subscribers, to retain and attract subscribers, and to maintain and grow our 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 our networks. Should implementation of our upgraded network be delayed or costs exceed expected amounts, our margins would be adversely affected and such effects could be material. Should the delivery of services expected to be deployed on our 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

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could become higher than expected, which could result in higher costs to customers, potentially resulting in decisions to purchase services from our competitors which would adversely affect our revenues, profitability and cash flow from operations.

We are migrating existing Nextel platform subscribers to other offerings on our Sprint platform, including existing or future offerings on our 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 our estimates of the remaining useful lives of long-lived assets, and the expected timing of asset retirement obligations. Our 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 our ability to compete in the industry. The deployment of new technology and new service offerings could result in network degradation or the loss of subscribers. In addition, the technology we currently use, including WiMAX, may place us at a competitive disadvantage.

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

Our wireless networks currently provide services utilizing CDMA, iDEN and LTE technologies. Wireless subscribers served by CDMA and iDEN technologies represent a smaller portion of global wireless subscribers than the subscribers served by wireless networks that utilize Global System for Mobile Communications (GSM) technology. As a result, our costs with respect to both CDMA and iDEN network equipment and devices may continue to be higher than the comparable costs incurred by our competitors who use GSM technology, which may place us at a competitive disadvantage. See The success of our 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.

We have expended significant resources and made substantial investments to deploy a 4G mobile broadband network through our equity method investment in Clearwire using WiMAX technology. As part of Network Vision, we announced that we currently intend to continue selling WiMAX devices through 2012 and that we expect to continue to support such devices for a period of time after that, as we transition to LTE. The failure to successfully design, build and deploy our LTE network, or a loss of or inability to access Clearwire s spectrum could increase subscriber losses, increase our costs of providing services or increase our churn. Other competing technologies may have advantages over our 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 us or with which we deploy our LTE network, which may allow those operators to compete more effectively or may require us and Clearwire to deploy additional technologies. See Risks related to our investment in Clearwire below for additional risks related to our investment in Clearwire and the operation of its 4G network.

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

We expect to 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. Our ability to arrange additional financing will depend on, among other factors, current economic and market conditions, our financial performance, our high debt levels, and our debt ratings. Some of these factors are beyond our control, and we may not be able to arrange additional financing on terms acceptable to us or at all. Failure to obtain suitable financing when needed could, among other things, result in our inability to continue to expand our businesses and meet competitive challenges, including implementation of Network Vision on our 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 our 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 us, or at all.

We have incurred substantial amounts of indebtedness to finance operations and other general corporate purposes. We expect to incur additional amounts of indebtedness in the future, which may be substantial. At September 30, 2012, our total debt was approximately $21.3 billion. In addition, in October 2012, we issued to SoftBank the Bond in the principal amount of $3.1 billion, which will automatically convert to equity immediately prior to the consummation of the merger. As a result, we are highly leveraged and will continue to be highly leveraged. Accordingly, our debt service requirements are significant in relation to our revenues and cash flow. This leverage exposes us to risk in the event of downturns in our businesses (whether through competitive pressures or otherwise), in our industry or in the economy generally, and may impair our operating flexibility and our ability to compete effectively, particularly with respect to competitors that are less leveraged.

The debt ratings for our 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 our debt. Our debt ratings could be further downgraded for various reasons, including if we incur significant additional indebtedness including indebtedness relating to any required change of control offer, or if we do not generate sufficient cash from our operations, which would likely increase our future borrowing costs and could adversely affect our ability to obtain additional capital.

Our credit facility, which expires in October 2013, requires that we maintain a ratio of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and certain other non-recurring items as defined by the credit facility (adjusted EBITDA), of no more than 4.5 to 1.0, as of any fiscal quarter ending on or before March 31, 2012. The required ratio was reduced to 4.25 to 1.0 for quarters ending after March 31, 2012, and will be further reduced to 4.0 to 1.0 for quarters ending after December 31, 2012. As of September 30, 2012, the ratio was 3.3 to 1.0. If we do not continue to satisfy this required ratio, we will be in default under our credit facility, which would trigger defaults under our other debt obligations, which in turn could result in the maturities of certain debt obligations being accelerated. While we previously amended our credit facility to redefine adjusted EBITDA by adding back certain net equipment costs, there can be no assurance that we will continue to comply with the covenant as modified or that, if needed, we can obtain amendments or waivers in the future. We also have an unsecured loan agreement with Export Development Canada and a secured equipment credit facility secured by a lien on certain equipment purchased from Ericsson. Both the EDC loan and the secured equipment credit facility have terms similar to those of our credit facility. In addition to the covenants in our revolving credit facility, our EDC loan and our secured equipment credit facility, certain indentures governing our outstanding notes limit, among other things, our ability to incur additional debt, pay dividends, create liens and sell, transfer, lease or dispose of assets. Such restrictions could adversely affect our ability to access the capital markets or engage in certain transactions.

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Although these restrictions do not limit our ability to engage in the merger, under the terms of each of our existing credit facility agreements, consummation of the 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, as of September 30, 2012, amounts outstanding under the EDC loan and secured equipment credit facility, which were approximately $577 million in the aggregate at September 30, 2012, would become due and payable at the time of closing. In addition, a change of control would result in an event of default under our $2.2 billion revolving credit facility of which approximately $1.0 billion was outstanding as of September 30, 2012 through letters of credit including the letter of credit required by the Report and Order. We expect to enter into discussions with existing lenders under these arrangements to obtain an amendment to the definition of change of control or a waiver for the change of control that would occur upon the consummation of the proposed merger. However, we may be unable to obtain such amendment or waiver and may not have sufficient resources to repay all outstanding balances under these facilities.

In addition, as of September 30, 2012, approximately $8.8 billion of our senior notes and guaranteed notes provided holders with the right to require us to repurchase those senior notes and guaranteed notes if a change of control triggering event occurs, which requires both a change of control (which will occur upon consummation of the merger) and a ratings decline of the applicable senior notes and guaranteed notes by each of Moody s Investors Service, Inc. and Standard & Poor s Rating Services. If we are required to make a change of control offer, we will be required to make a cash payment equal to 101% of the aggregate principal amount of those senior notes and guaranteed notes repurchased plus accrued and unpaid interest. We may not have sufficient resources to make such a payment.

The trading price of our common stock has been and may continue to be volatile and may not reflect our actual operations and performance.

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

- quarterly announcements and variations in our results of operations or those of our competitors, either alone or in comparison to analysts expectations or prior company estimates, including announcements of subscriber counts, rates of churn, and operating margins that would result in downward pressure on our stock price;
- the cost and availability or perceived availability of additional capital and market perceptions relating to our access to this capital;
- seasonality or other variations in our subscriber base, including our rate of churn;
- announcements by us or our competitors of acquisitions, new products, technologies, significant contracts, commercial relationships or capital commitments;
- uncertainties related to our proposed transactions with SoftBank;
- the performance of Clearwire and Clearwire s Class A common stock or speculation about the possibility of future actions we or other significant shareholders may take in connection with Clearwire;
- disruption to our operations or those of other companies critical to our network operations;
- market speculation or announcements by us regarding the entering into, or termination of, material transactions;

- our 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 our networks;
- recommendations by securities analysts or changes in their estimates concerning us;
- the incurrence of additional debt, dilutive issuances of our stock, short sales or hedging of, and other derivative transactions, in our common stock;
- any significant change in our board of directors or management;
- litigation;
- changes in governmental regulations or approvals; and
- perceptions of general market conditions in the technology and communications industries, the U.S. economy and global market conditions.

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

Our Wireline segment competes with AT&T, Verizon 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 we 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 our revenues and profitability.

We provide wholesale services under long-term contracts to cable television operators which enable these operators to provide consumer and business digital telephone services. These contracts may not be renewed as they expire. 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 our two largest competitors in the domestic long distance communications market. We and other long distance carriers depend heavily on local access facilities obtained from incumbent local exchange carriers (ILECs) to serve our long distance subscribers, and payments to ILECs for these facilities are a significant cost of service for our Wireline segment. The long distance operations of AT&T and Verizon 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, our Wireless segment could be adversely affected by changes in rates and access fees that result from consolidation of our roaming partners and access providers, which could negatively affect our revenues and profitability.

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. Through mergers, joint ventures and various service expansion strategies, major providers are striving to provide integrated services in many of the markets we serve. This trend is also reflected in changes in the regulatory environment that have encouraged competition and the offering of integrated services.

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We expect 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. We cannot predict which of many possible future technologies, products, or services will be important to maintain our competitive position or what expenditures we will be required to make in order to develop and provide these technologies, products or services. To the extent we do not keep pace with technological advances or fail to timely respond to changes in the competitive environment affecting our industry, we could lose market share or experience a decline in revenue, cash flows and net income. As a result of the financial strength and benefits of scale enjoyed by some of our competitors, they may be able to offer services at lower prices than we can, thereby adversely affecting our revenues, growth and profitability.

If we are unable to improve our results of operations, we face the possibility of additional charges for impairments of long-lived assets. Further, our future operating results will be impacted by our share of Clearwire s net loss, which will likely negatively affect our results of operations. The carrying value of our investment in Clearwire may be subject to further impairment.

We review our long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. If we continue to have operational challenges, including obtaining and retaining subscribers, our future cash flows may not be sufficient to recover the carrying value of our long-lived assets, and we could record asset impairments that are material to our consolidated results of operations and financial condition. If we continue to have challenges retaining subscribers and as we assess 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 our consolidated financial statements would be recognized.

We account for our investment in Clearwire using the equity method of accounting and, as a result, we record our share of Clearwire s net income or net loss, which could adversely affect our consolidated results of operations. 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, remains uncertain. 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. Additional declines in the value of Clearwire may require us to reevaluate the decline in relation to the carrying value of our investment in Clearwire. A conclusion by us that additional declines in the value of Clearwire are other than temporary could result in an additional impairment, which could be material.

We have entered into agreements with unrelated parties for certain business operations. Any difficulties experienced in these arrangements could result in additional expense, loss of subscribers and revenue, interruption of our services or a delay in the roll-out of new technology.

We have entered into agreements with unrelated parties for the day-to-day execution of services, provisioning and maintenance for our 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 our business. We also have agreements with unrelated parties to provide customer service and related support to our wireless subscribers and outsourced aspects of our wireline network and back office functions to unrelated parties. In addition, we have sublease agreements with unrelated parties for space on communications towers. As a result, we must rely on unrelated parties to perform certain of our operations and, in certain circumstances, interface with our subscribers. If these unrelated parties were unable to perform to our requirements, we would have to pursue alternative strategies to provide these services and that could result in delays, interruptions, additional expenses and loss of subscribers.

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

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

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

The FCC and other federal, state and local, as well as international, governmental authorities have jurisdiction over our business and could adopt regulations or take other actions that would adversely affect our business prospects or results of operations.

The licensing, construction, operation, sale and interconnection arrangements of wireless telecommunications systems are regulated by the FCC and, depending on the jurisdiction, international, state and local regulatory agencies. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to how radio spectrum is used by licensees, the nature of the services that licensees may offer and how the services may be offered, and resolution of issues of interference between spectrum bands.

The FCC grants wireless licenses for terms of generally ten years that are subject to renewal and revocation. There is no guarantee that our licenses will be renewed. Failure to comply with FCC requirements in a given license area could result in revocation of the license for that license area.

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

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

Degradation in network performance caused by compliance with government regulation, 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 our revenues and results of operations. In addition, additional costs or fees imposed by governmental regulation could adversely affect our revenues, future growth and results of operations.

Proposed 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 we do not buy raw materials, manufacture, or produce any electronic equipment directly, the proposed regulation may affect some of our suppliers. As a result,

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there may only be a limited pool of suppliers who provide conflict free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices. Also, because our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in the products that we sell.

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., our wholly-owned subsidiary, offers service to low-income subscribers eligible for the federal Lifeline Assistance program under the brand Assurance Wireless Brought to You By Virgin Mobile, 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 our wholesale customers also offer service to subscribers eligible for the federal Lifeline Assistance program. This discount is subsidized by the Low-Cost 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. 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 could 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 our business partners and subscribers fail to meet their contractual obligations it could negatively affect our results of operations.

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

Our reputation and business may be harmed and we may be subject to legal claims if there is loss, disclosure or misappropriation of or access to our subscribers or our own information or other breaches of our information security.

We make 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 our operations. Our 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 our network security, or that of a third-party service provider, or impacted by advertent or inadvertent actions or inactions by our employees, or those of a third-party service provider. As a result, our subscribers information may be lost, disclosed, accessed or taken without the subscribers consent.

In addition, we, and third-party service providers process and maintain our proprietary business information and data related to our business-to-business customers or suppliers. Our information technology and other systems that maintain and transmit this information, or those of service providers, may also be

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compromised by a malicious third-party penetration of our network security or that of a third-party service provider, or impacted by intentional or inadvertent actions or inactions by our employees or those of a third-party service provider. As a result, our business information, or subscriber or supplier data may be lost, disclosed, accessed or taken without consent.

Any loss, disclosure or misappropriation of, or access to, subscribers information or other breach of our information security can result in legal claims or proceedings, including regulatory investigations and actions, may have an adverse impact on our reputation and may adversely affect our business, operating results and financial condition.

Our 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 our wireline and wireless networks, including transport facilities, communications switches, routers, microwave links, cell sites or other equipment or third-party owned local and long-distance networks on which we rely, could have a material adverse effect on our operations.

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

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

Portable communications devices have been alleged to have adverse health affects, due to radio frequency emissions from these devices. The actual or perceived risk of using mobile communications devices could adversely affect us through a reduction in subscribers, reduced network usage per subscriber or reduced financing available to the mobile communications industry. 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; we have no reason to expect those studies to reach a different conclusion, but we cannot guarantee that additional studies will not demonstrate a link between radio frequency emissions and health concerns.

Risks related to the proposed merger with SoftBank

Our business could be adversely impacted by uncertainties related to the merger.

Uncertainty about the completion and effect of the pending merger with SoftBank may have an adverse effect on our business. Our ability to complete the pending merger is subject to risks and uncertainties, including, but not limited to:

- our ability to obtain required shareholder or regulatory approvals;
- the length of time necessary to consummate the proposed merger; and
- the satisfaction of all conditions to closing of the merger by us and SoftBank, including any required change of control offers or other actions with respect to our indebtedness or the ability of SoftBank to obtain financing.

Uncertainty about the effect of the pending merger on our employees and customers may also have an adverse effect on our business, including as a result of attempts by other communications providers to persuade our customers to change service providers, which could increase the rate of our subscriber churn and have a negative impact on our subscriber growth, revenue and results of operations. These uncertainties may also impair our ability to preserve employee morale and attract, retain and motivate key employees until the merger is completed. If key employees depart because of uncertainty about their future roles and the potential complexities of the merger or a desire not to remain with the business after the completion of the merger, our business could be harmed. The efforts to satisfy the closing conditions of the merger, including the regulatory approval process, and to prepare for the merger may place a significant burden on our management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the merger process could adversely affect our business, results of operations and financial condition.

In addition, we are evaluating whether, in accordance with generally accepted accounting principles in the United States, we would apply the push-down basis of accounting related to the proposed transaction. If we do, we would be required to adjust the carrying value of our assets and liabilities to an estimate of fair value. Accordingly, such adjustments may have a material impact on the presentation of our consolidated financial statements.

In addition, the Merger Agreement restricts us, without SoftBank s consent, from making certain acquisitions and dispositions and taking other specified actions. These restrictions may prevent us from pursuing attractive business opportunities and making other changes to our business prior to completion of the merger or termination of the Merger Agreement. Moreover, the Merger Agreement limits our ability to pursue alternatives to the merger.

The failure to complete the merger could negatively impact our business.

There is no assurance that the merger and the related transactions will occur on the terms and timeline currently contemplated or at all, or that the conditions to the merger will be satisfied in a timely manner or at all. If the proposed merger is not completed, the share price of our common stock may decline to the extent that the current market price of our common stock reflects an assumption that the merger and the related transactions will be completed. Further, satisfying the conditions to and completion of the merger could cost more than we expect. If the merger is not completed, our financial results may be adversely affected because we still will be required to pay costs relating to the merger, including legal, accounting, financial advisory, filing and printing costs. In addition, upon termination of the Merger Agreement, under specified circumstances (including in connection with a superior offer), we may be required to pay a termination fee of $600 million. In addition, if the Merger Agreement is terminated because our shareholders do not approve and adopt the Merger Agreement, and prior to such termination certain triggering events described in the Merger Agreement have not occurred, then we may be required to reimburse SoftBank for its fees and expenses incurred in connection with the Merger Agreement up to $75 million.

If the merger is not consummated, we may not be able to fund our capital needs from external resources on terms acceptable to us or without modifying our business plan. We could also be subject to litigation related to any failure to complete the merger. Furthermore, purported class actions have been brought on behalf of holders of our common stock. If these actions or similar actions that may be brought are successful, the merger could be delayed or prevented. See the notes to our interim financial statements incorporated by reference to our Quarterly Report on Form 10-Q for the period ended September 30, 2012 for a discussion of pending litigation related to the merger. Further, a failed or significantly delayed merger may result in negative publicity and a negative impression of us in the investment community. Finally, any disruptions to our business resulting from the announcement and pendency of the merger and from intensifying competition from our competitors, including any adverse changes in our relationships with our customers, vendors, suppliers and employees or our recruiting and retention efforts, could continue or accelerate in the event of a failed transaction. There can be no assurance that our business, these relationships or our financial condition will not be negatively impacted, as compared to the condition prior to the announcement of the merger, if the merger is not consummated.

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We may be unable to amend the change of control provisions in the indenture and supplemental indentures governing certain of our outstanding debt securities to exclude the merger.

We may solicit the consent of certain of our current noteholders to amend the definitions of change of control contained in the indenture and supplemental indentures governing certain of our outstanding senior notes and guaranteed notes, the aggregate amount outstanding of which as of September 30, 2012 was $8.8 billion, to exclude transactions involving Permitted Holders, which we expect will be defined in the proposed amendments to include SoftBank and its affiliates. If we are unsuccessful in obtaining the necessary consents to amend the relevant indenture and supplemental indentures, the merger would constitute a change of control under such indenture and supplemental indentures. As a result, if a ratings decline were to occur, the holders of such notes would have the right to require us to repurchase their notes at a purchase price equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest up to but excluding the date of repurchase.

Risks related to our investment in Clearwire

We are a major shareholder of Clearwire, a term we use to refer to the consolidated entity of Clearwire Corporation and its subsidiary Clearwire Communications LLC. Under this section, we have included certain important risk factors with respect to our investment in Clearwire. For more discussion of Clearwire and the risks affecting Clearwire, you should refer to Clearwire s annual report on Form 10-K for the year ended December 31, 2011 and its subsequent quarterly reports on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012 and September 30, 2012. The contents of Clearwire s SEC filings are expressly not incorporated by reference into this prospectus supplement or the accompanying prospectus.

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

We do not control Clearwire s board, nor do we 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 ours or Clearwire s. Differences in views among the large investors could result in delayed decisions by Clearwire s board of directors or failure to agree on major issues. Any such delay or failure to agree with respect to the operation of Clearwire could have a material adverse effect on the value of our investment in Clearwire or, because some of our subscribers use Clearwire s 4G network, our 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 shareholders to benefit from opportunities that may otherwise be available to Clearwire, which could adversely affect Clearwire s business and our investment in Clearwire.

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

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Moreover, although as part of Network Vision we have launched our own LTE network in limited markets, we currently rely on Clearwire to operate its WiMAX 4G network. In addition, Clearwire has 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 our 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 our ability to compete in the industry. The deployment of new technology and new service offerings could result in network degradation or the loss of subscribers. In addition, the technology we currently use, including WiMAX, may place us 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, we could experience subscriber dissatisfaction or loss, which would have a material adverse effect on our revenues, profitability and cash flow from operations.

If our proposed acquisition of additional Clearwire shares from Eagle River is consummated, Clearwire could be considered a subsidiary under certain of our agreements relating to our indebtedness.

If our proposed acquisition of additional Clearwire shares from Eagle River Holdings LLC is consummated, our economic interest in Clearwire is expected to exceed 50%. As a result, Clearwire could be considered a subsidiary under certain agreements relating to our indebtedness. Whether Clearwire could be considered a subsidiary under our debt agreements is subject to interpretation. If viewed as a subsidiary, certain actions or defaults by Clearwire would result in a potential breach by us of covenants, including potential cross-default provisions, under certain agreements relating to our indebtedness, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

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

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

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RATIO OF EARNINGS TO FIXED CHARGES

The ratio has been computed by dividing earnings by fixed charges. For purposes of computing the ratio:

- earnings (loss) consist of (i) loss from continuing operations before income taxes, (ii) equity in losses of unconsolidated investments, (iii) fixed charges, (iv) interest capitalized and (v) amortization of interest capitalized; and

- fixed charges consist of (i) interest expense, gross, (ii) interest capitalized and (iii) portion of rentals representative of interest.

The following table shows our ratio of earnings to fixed charges:

	For the Nine Months Ended September 30,			For the Years Ended December 31,		
	2012 (a)	2011 (b)	2010 (c)	2009 (d)	2008 (e)	2007 (f)
Ratio of Earnings to Fixed Charges						

(a) Earnings (loss), as adjusted, were inadequate to cover fixed charges by $2.2 billion for the nine months ended September 30, 2012.
(b) Earnings (loss), as adjusted, were inadequate to cover fixed charges by $1.3 billion in 2011.
(c) Earnings (loss), as adjusted, were inadequate to cover fixed charges by $1.9 billion in 2010.
(d) Earnings (loss), as adjusted, were inadequate to cover fixed charges by $2.6 billion in 2009.
(e) Earnings (loss), as adjusted, were inadequate to cover fixed charges by $4.0 billion in 2008.
(f) Earnings (loss), as adjusted, were inadequate to cover fixed charges by $29.8 billion in 2007.

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USE OF PROCEEDS

The net proceeds from the sale of the notes are expected to be approximately $, after deducting underwriting discounts. We intend to use the net proceeds from this offering for redemptions of outstanding debt. Until we apply the proceeds from the sale of the notes to their intended purposes, we may invest those proceeds.

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DESCRIPTION OF NOTES

The following description of the particular terms of the senior debt securities offered hereby (referred to in this description of notes as the notes) supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the senior debt securities set forth under the caption Description of Debt Securities in the accompanying prospectus, to which reference is hereby made.

The notes will be issued under an indenture, dated as of November 20, 2006, between Sprint Nextel Corporation, as issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee (the base indenture). The supplemental indenture that will be executed by us and the Trustee with respect to the notes is referred to as the Supplemental Indenture. In this description of the notes, the base indenture together with the Supplemental Indenture are collectively referred to as the indenture. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939 (the Trust Indenture Act). References to the terms Company, we, us, our similar references mean Sprint Nextel Corporation, excluding its subsidiaries.

The following summary of the indenture is not complete and is subject to, and is qualified in its entirety by reference to, the Trust Indenture Act and to all provisions of the indenture, including the definitions of the terms used in the indenture and those terms made a part of the indenture by reference to the Trust Indenture Act. You should read the indenture for provisions that may be important to you. You can obtain copies of the indenture by following the directions described under the caption Where You Can Find More Information in this prospectus supplement.

General

The notes will:

- be our general unsecured senior obligations;
- mature on , 2022;
- rank equally with our other unsecured senior indebtedness;
- be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of our subsidiaries, including the secured equipment credit facility and the subsidiary guarantees of our existing revolving credit facility, our EDC loan, our 9.000% guaranteed notes due 2018 and our 7.000% guaranteed notes due 2020; and
- be effectively subordinated to all secured indebtedness to the extent of the value of the assets securing such debt.

The notes will mature on , 2022 and will initially be issued in an aggregate principal amount of $. We may issue additional notes (the additional notes) from time to time after this offering without the consent of any holders of the notes. The notes and any additional notes will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments and redemptions.

The notes and any additional notes will be issued only in fully registered form, without coupons, in minimum denominations of $2,000 and thereafter in any integral multiple of $1,000. Holders of the notes will not pay any service charge for any registration of transfer or exchange of the notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the registration of transfer or exchange.

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We will pay interest on the notes from , 2012 or from the most recent interest payment date to which interest has been paid or duly provided for, semi-annually on and in each year, commencing , 2013 (each such date being an interest payment date), at the rate of % per annum to the persons in whose names the notes are registered in the security register on the preceding or (each such date being a regular record date) until the principal thereof is paid or made available for payment, *provided* that any principal and premium, and any such installment of interest, which is overdue will bear interest at the rate of % per annum (to the extent that the payment of such interest will be legally enforceable), from the dates such amounts are due until they are paid or made available for payment, and such interest will be payable on demand. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

If any interest payment date or the maturity date falls on a day that is not a business day, the required payment will be made on the next business day as if it were made on the date the payment was due and no interest will accrue on the amount so payable for the period from and after the interest payment date or the maturity date, as the case may be, until the next business day. A business day means any day, other than a Saturday or Sunday, or legal holidays on which banks in The City of New York are not required or authorized by law or executive order to be closed.

The covenants contained in the indenture and the notes would not necessarily afford holders protection in the event of a highly leveraged or other transaction involving us that may adversely affect holders. The notes are not subject to any sinking fund.

Ranking

The payment of the principal, premium, if any, and interest on the notes will rank equally in right of payment with all our other unsecured senior indebtedness and be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of our subsidiaries, including the secured equipment credit facility and the subsidiary guarantees of our existing revolving credit facility, our EDC loan, our 9.000% guaranteed notes due 2018 and our 7.000% guaranteed notes due 2020. The notes will be effectively subordinated in right of payment to all of the Company s existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

As of September 30, 2012, our consolidated indebtedness was approximately $21.3 billion. In addition, in October 2012, we issued to SoftBank the Bond in the principal amount of $3.1 billion, which upon receipt of regulatory approval will be converted to equity immediately prior to consummation of the merger. As of September 30, 2012, we had approximately $11.5 billion in principal amount of debt outstanding, including amounts drawn under credit facilities but excluding outstanding letters of credit thereunder in the amount of $1.0 billion. We also have guaranteed principal of $9.0 billion of the long-term debt issued by our wholly-owned subsidiaries. Our wholly-owned subsidiaries combined outstanding debt, financing and capital lease obligations totaled $9.8 billion in principal at September 30, 2012. Also as of September 30, 2012, our wholly-owned subsidiaries that guarantee our revolving credit facility also guaranteed $4.5 billion in principal amount of our outstanding debt. The foregoing information does not give effect to the issuance of the notes as contemplated by this prospectus supplement.

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Restrictive covenants

The covenant described under Description of Debt Securities Restrictive covenants in the accompanying prospectus has been amended and restated as set forth below.

Under the indenture, we will not directly or indirectly create, incur or allow to exist any Lien (1) securing our indebtedness for borrowed money on any property or assets of ours or any property or assets of our subsidiaries, now owned or acquired at a later time, or (2) securing any indebtedness for borrowed money on any of our property or assets now owned or acquired at a later time, in either case, unless:

we have made or will make effective provision whereby the outstanding notes are equally and ratably secured with (or prior to) all other indebtedness for borrowed money secured by such Lien for so long as any such other indebtedness for borrowed money is so secured;

the Lien is a Permitted Lien; or

the aggregate principal amount of indebtedness secured by the Lien and any other such Lien, other than Permitted Liens, does not exceed 15% of the Company s Consolidated Net Tangible Assets.

Capital Lease Obligations means indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with generally accepted accounting principles. The amount of indebtedness will be the capitalized amount of the obligations determined in accordance with generally accepted accounting principles consistently applied.

Consolidated Net Tangible Assets means our consolidated total assets as reflected in our most recent balance sheet preceding the date of determination prepared in accordance with generally accepted accounting principles consistently applied, less

current liabilities, excluding current maturities of long-term debt and Capital Lease Obligations, and

goodwill, tradenames, trademarks, patents, unamortized debt discount and expense and other similar intangible assets, excluding any investments in permits or licenses issued, granted or approved by the Federal Communications Commission.

Lien means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, lien, charge, priority or other security agreement of any kind or nature whatsoever on or with respect to property including any Capital Lease Obligation, conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing.

Permitted Liens means:

(1) Liens existing on the date that the notes are issued;

(2) Liens on property existing at the time of acquisition of the property or to secure the payment of all or any part of the purchase price of the property or to secure any indebtedness incurred before, at the time of or within 270 days after the acquisition of the property for the purpose of financing all or any part of the purchase price of the property;

(3) Liens securing indebtedness owed by any of our subsidiaries to us or any of our subsidiaries;

(4) Liens on property of any entity, or on the stock, indebtedness or other obligations of any entity, existing at the time

- the entity becomes a subsidiary of ours;
- the entity is merged into or consolidated with us or a subsidiary of ours; or
- we or a subsidiary of ours acquires all or substantially all of the assets of the entity, as long as the Liens do not extend to any other property of ours or property of any other subsidiary of ours;

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(5) Liens on property to secure any indebtedness incurred to provide funds for all or any part of the cost of development of or improvements to the property;

(6) Liens on our property or the property of any of our subsidiaries securing

- contingent obligations on surety and appeal bonds, and

- other nondelinquent obligations of a similar nature,

in each case, incurred in the ordinary course of business;

(7) Liens on property securing Capital Lease Obligations, provided that

- the Liens attach to the property within 270 days after the acquisition thereof, and

- the Liens attach solely to the property acquired in connection with the Capital Lease Obligations;

(8) Liens arising solely by virtue of any statutory or common law provision relating to banker s liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds, as long as the deposit account is not a dedicated cash collateral account and is not subject to restrictions against access in excess of those set forth by regulations promulgated by the Federal Reserve Board and the deposit account is not intended to provide collateral to the depository institution;

(9) Liens on personal property to secure loans maturing not more than one year from the date of the creation of the loan and on accounts receivable associated with a receivables financing program of ours or any of our subsidiaries;

(10) Liens on our property or the property of any of our subsidiaries securing indebtedness or other obligations issued by the United States of America or any state or any department, agency or instrumentality or political subdivision of the United States of America or any state, or by any other country or any political subdivision of any other country, to finance all or any part of the purchase price of, or, in the case of real property, the cost of construction on or improvement of, any property or assets subject to the Liens, including Liens incurred in connection with pollution control, industrial revenue or similar financings; and

(11) any renewal, extension or replacement of any Lien permitted pursuant to (1), (2), (4), (5), (7) or (10) above or of any indebtedness secured by any such Lien, as long as the extension, renewal or replacement Lien is limited to all or any part of the same property that secured the Lien extended, renewed or replaced, plus improvements on the property, and the principal amount of indebtedness secured by the Lien and not otherwise authorized by clauses (1), (2), (4), (5), (7) or (10) does not exceed the principal amount of indebtedness plus any premium or fee payable in connection with the renewal, extension or replacement so secured at the time of the renewal, extension or replacement.

Consolidation, merger and conveyances

We may consolidate with or merge into any other person or convey, transfer or lease all or substantially all of our properties and assets to any person, only if:

we are the continuing corporation or the successor entity is a corporation, partnership, limited liability company or trust organized and existing under the laws of the United States, any state thereof, the District of Columbia or any territory thereof and assumes our obligations under the notes and the indenture pursuant to a supplemental indenture reasonably satisfactory to the Trustee, provided that in the case when such successor entity is not a corporation, a co-obligor of the notes is a corporation;

after giving effect to the transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, has happened and is continuing; and

certain other conditions specified in the indenture are met.

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Upon complying with the foregoing conditions and the successor entity assuming all of our obligations under the indenture, such entity will be bound by the indenture and have all of our rights and powers thereunder as if it were an original party to the indenture, and, except in the case of a lease, all of our obligations under the indenture will terminate.

Optional redemption

The notes will be redeemable, from time to time, as a whole or in part, at our option, on at least 30 days, but not more than 60 days, prior notice mailed to the registered address of each holder of the notes to be redeemed, at a redemption price equal to the greater of:

- 100% of the principal amount of the notes to be redeemed, and

- the sum of the present values of the Remaining Scheduled Payments, as defined below, discounted to the redemption date, on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, as defined below, plus basis points

plus, in each case, accrued interest to the date of redemption that has not been paid (such redemption price, the Redemption Price).

Comparable Treasury Issue means, the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes of that series.

Comparable Treasury Price means, with respect to any redemption date: (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations; or (2) if the Trustee is provided fewer than five Reference Treasury Dealer Quotations, the average of all quotations provided to the Trustee.

Independent Investment Banker means one of the Reference Treasury Dealers to be appointed by us.

Reference Treasury Dealer means Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, and their successors, and one other firm that is a primary U.S. Government securities dealer (each a Primary Treasury Dealer) which we specify from time to time; *provided,* that if any of them ceases to be a Primary Treasury Dealer, we will substitute another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Trustee by such Reference Treasury Dealer at 3:00 p.m., New York City time, on the third business day preceding such redemption date.

Remaining Scheduled Payments means, with respect to each note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; *provided,* that, if such redemption date is not an interest payment date with respect to such note, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such redemption date.

Treasury Rate means, with respect to any redemption date for the notes: (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication that is published weekly by the

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Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury Notes adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue; *provided* that if no maturity is within three months before or after the maturity date for the notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month; or (2) if that release, or any successor release, is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

On and after the redemption date, interest will cease to accrue on the notes or any portion thereof called for redemption, unless we default in the payment of the Redemption Price. On or before the redemption date, we will deposit with a paying agent, or the Trustee, money sufficient to pay the Redemption Price of the notes to be redeemed on such date.

Repurchase of notes upon a Change of Control Triggering Event

If a Change of Control Triggering Event occurs with respect to the notes, each holder of notes will have the right to require us to repurchase all or any part, equal to $2,000 or an integral multiple of $1,000 thereafter, of that holder s notes pursuant to an offer (a Change of Control Offer) on the terms set forth in the indenture. In the Change of Control Offer, we will offer a cash payment (a Change of Control Payment) equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest on the notes up to but excluding the date of repurchase. Within 30 days following any Change of Control Triggering Event, if we had not, prior to the Change of Control Triggering Event, sent a redemption notice for all the notes in connection with an optional redemption permitted by the indenture, we will mail or cause to be mailed a notice to each registered holder briefly describing the event or events that constitute a Change of Control Triggering Event and offering to repurchase the notes on the date specified in such notice (the Change of Control Payment Date), which date will be no earlier than 30 days and no later than 60 days from the date the notice is mailed, pursuant to the procedures required by the indenture and described in such notice.

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable to any Change of Control Offer. To the extent the provisions of any securities laws or regulations conflict with the provisions relating to the covenant described above, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the provisions relating to the covenant described above by virtue of such conflict.

On the Change of Control Payment Date, we will, to the extent lawful:

- accept for payment all notes or portions thereof properly tendered pursuant to the Change of Control Offer;

- deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions thereof properly tendered; and

- deliver or cause to be delivered to the Trustee the notes so accepted together with an officers certificate stating the aggregate principal amount of notes or portions thereof being purchased by us.

We will determine whether the notes are properly tendered, and the Trustee will have no responsibility for, and may conclusively rely upon, our determination with respect thereto. Subject to receipt of sufficient funds from us, the paying agent will promptly mail to each registered holder of notes properly tendered the Change of

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Control Payment for such notes, and the Trustee will promptly authenticate and mail, or cause to be transferred by book entry, to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; *provided* that each such new note will be in a principal amount of $2,000 or an integral multiple of $1,000 thereafter. Any note so accepted for payment will cease to accrue interest on and after the Change of Control Payment Date.

Except as described above, the provisions described above will be applicable regardless of whether any other provisions of the indenture are applicable. Holders will not be entitled to require us to purchase their notes in the event of a takeover, recapitalization, asset sale or similar transaction which does not constitute a Change of Control Triggering Event. We and our subsidiaries may nonetheless incur significant additional indebtedness in connection with such a transaction.

We will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements applicable to a Change of Control Offer made by us and purchases all notes properly tendered and not withdrawn under the Change of Control Offer.

We may make a Change of Control Offer in advance of a Change of Control Triggering Event, and condition that Change of Control Offer upon the occurrence of such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control Triggering Event at the time of making the Change of Control Offer.

There can be no assurance that we will have sufficient funds available at the time of any Change of Control Triggering Event to con