

SPRINT NEXTEL CORP
Form S-3
October 10, 2006

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**As filed with the Securities and Exchange Commission on October 10, 2006
Registration No. 333-**

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Sprint Nextel Corporation
(Exact name of registrant as specified in its charter)

Kansas
*(State or other jurisdiction of
incorporation or organization)*

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

**2001 Edmund Halley Drive
Reston, Virginia 20191
(703) 433-4000**
*(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)*

**Leonard J. Kennedy, Esq.
General Counsel
Sprint Nextel Corporation
2001 Edmund Halley Drive
Reston, Virginia 20191
(703) 433-4000**
*(Name, address, including zip code, and telephone number,
including area code, of agent for service)*

Copies to:
Lisa A. Stater, Esq.
Jones Day
1420 Peachtree Street, N.E., Suite 800
Atlanta, Georgia 30309-3053
(404) 521-3939

Approximate date of commencement of proposed sale to the public: As soon as practicable following the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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

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

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Guarantee of debt securities issued by UbiquiTel Operating Company(1)	\$419,960,000(2)	100%(2)	\$419,960,000(2)	\$44,935(2)

- (1) This registration statement relates to the offer by Sprint Nextel Corporation to fully and unconditionally guarantee certain outstanding debt securities of UbiquiTel Operating Company in return for the consent of the holders of the debt securities to amendments to the indenture under which the debt securities were issued.
- (2) The registration fee has been calculated in accordance with Rule 457 of the Securities Act of 1933, as amended. For purposes of this calculation, the maximum aggregate offering price, which is estimated solely for the purpose of calculating the registration fee, is the aggregate book value of the UbiquiTel Operating Company debt

securities that would be amended and receive the guarantee registered hereby, which is \$419,960,000.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell or offer these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 10, 2006

Prospectus

**SPRINT NEXTEL CORPORATION
Consent Solicitation and Offer to Guarantee**

**97/8% Senior Notes due 2011
(\$419,960,000 principal amount outstanding)
(CUSIP No. 90348A AG 4)**

of

**UBIQUITEL OPERATING COMPANY
The consent solicitation will expire at 5:00 p.m.,
New York City time, on _____, _____, 2006, unless extended.**

We are offering to fully and unconditionally guarantee the above notes of our subsidiary, UbiquiTel Operating Company, in return for your consent to proposed amendments to the indenture under which the notes were issued. The guarantee will be issued if the holders of a majority in aggregate principal amount of the above notes consent to the proposed amendments. These proposed amendments would amend certain covenants contained in the indenture governing the above notes to provide us with the operational flexibility to integrate more effectively UbiquiTel's business with ours and substitute certain reports we file with the Securities and Exchange Commission, or SEC, for those of UbiquiTel. If we receive the required consents, and the guarantee is issued, our guarantee of your notes will rank equal to all of our other existing and future senior unsecured indebtedness.

For a discussion of factors you should consider before you decide whether to consent, see Risk Factors beginning on page 6.

The expiration date for the consent solicitation is 5:00 p.m., New York City time, on _____, _____, 2006 unless extended.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, nor have any of these organizations determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

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The solicitation agent for the consent solicitation is:

Bear, Stearns & Co. Inc.

The date of this prospectus is _____, 2006

REFERENCES TO ADDITIONAL INFORMATION

As used in this prospectus, we, us or our refers to Sprint Nextel Corporation (formerly known as Sprint Corporation).

UbiquiTel Parent refers to UbiquiTel Inc., our wholly owned subsidiary, UbiquiTel refers to UbiquiTel Operating Company, a wholly owned subsidiary of UbiquiTel Parent, and Nextel Communications or Nextel refers to Nextel Communications, Inc. prior to its merger with and into one of our wholly owned subsidiaries and, thereafter, to that subsidiary as the surviving corporation in that merger (which was renamed Nextel Communications, Inc.), in each case, together with such corporation's subsidiaries. This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. You may obtain documents that we file with the SEC and incorporate by reference into this prospectus by requesting the documents, in writing or by telephone, from the SEC or from:

Sprint Nextel Corporation
 2001 Edmund Halley Drive
 Reston, Virginia 20191
 Attention: Investor Relations
 Telephone: (703) 433-4300

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PROSPECTUS SUMMARY

This summary highlights basic information about us, UbiquiTel, the consent solicitation and the guarantee, but does not contain all information important to you. You should read the more detailed information and consolidated financial statements and the related notes incorporated by reference into this prospectus.

Overview

Sprint Nextel

2001 Edmund Halley Drive
Reston, Virginia 20191
(703) 433-4000

On August 12, 2005, Nextel Communications merged with one of our wholly owned subsidiaries. In connection with the merger, we changed our name from Sprint Corporation to Sprint Nextel Corporation. We offer a comprehensive suite of wireless and long distance wireline communications products and services to individuals, small businesses, large enterprises and government customers. We own extensive wireless networks and a global long distance, Tier 1 Internet backbone. At the time that we announced the merger with Nextel, we also announced that we intended to spin-off our local communications business. We completed the spin-off on May 17, 2006.

UbiquiTel

One West Elm Street
Suite 400
Conshohocken, Pennsylvania 19428
(610) 832-3300

UbiquiTel is principally engaged in the ownership and operation of wireless communications. UbiquiTel is a personal communications services, or PCS, provider and has the right to provide wireless services under the Sprint® brand name within its service areas. On July 1, 2006, we completed the acquisition of UbiquiTel by merging one of our wholly owned subsidiaries with UbiquiTel.

The indenture governing UbiquiTel's 97/8% Senior Notes due 2011 contains a provision that requires UbiquiTel to make an offer to repurchase these notes upon a change in control. Our acquisition of UbiquiTel triggered this provision.

On July 5, 2006, UbiquiTel initiated an offer to purchase its outstanding 97/8% Senior Notes due 2011. The offer expired on August 3, 2006, and in connection with that offer, \$40,000 in aggregate principal amount of the 97/8% notes were validly tendered and not withdrawn. See Description of the Amended Notes Repurchase at the Option of Holders Upon a Change of Control.

Use of Proceeds

We will not receive any cash proceeds from the issuance of our guarantee.

The Consent Solicitation

The Notes

97/8% Senior Notes due 2011, or the notes.

The Consent Solicitation

We are soliciting consents from the holders of the notes to the proposed amendments described below. See The Consent Solicitation. We will provide our guarantee if consents to the proposed amendments have been validly submitted and not withdrawn by

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holders of record of a majority in aggregate principal amount of the notes.

Record Date _____, 2006

Proposed Amendments

We are making the consent solicitation to amend certain covenants contained in the indenture governing the notes to provide us with the operational flexibility to integrate more effectively our and UbiquiTel's business and substitute our financial reports that we file with the SEC for those of UbiquiTel. The proposed amendments would, among other things:

modify the definition of "Asset Sale" to exclude specifically any transfer or sale of assets from UbiquiTel or its restricted subsidiaries to us or any of our other direct or indirect subsidiaries;

permit UbiquiTel to provide our periodic reports and other information filed with the SEC to the holders of the notes, in lieu of separate reports and information relating only to UbiquiTel; and

modify the affiliate transactions covenant to permit UbiquiTel, and its restricted subsidiaries, to engage in transactions with us and any of our other direct or indirect subsidiaries, so long as such transactions are on terms that are no less favorable to UbiquiTel and its restricted subsidiaries than those that would have been obtained in comparable transactions by UbiquiTel and its restricted subsidiaries with an unrelated person, without having to obtain:

an independent fairness opinion; or

except in transactions above a certain dollar threshold, the approval of UbiquiTel's board of directors.

The Supplemental Indenture

The proposed amendments to the indenture would be set forth in a supplemental indenture to be executed by UbiquiTel, UbiquiTel Parent and the trustee promptly following the expiration date, if the required consents have been obtained. If the proposed amendments become effective, the indenture, as amended, will apply to each holder of the notes, regardless of whether that holder delivered a consent to the proposed amendments.

Expiration Date; Waiver; Amendment; Termination

The consent solicitation will expire at 5:00 p.m., New York City time, on _____, _____, 2006, unless extended. We expressly reserve the right to waive or modify any term of, or terminate, the consent solicitation.

Required Consents

The proposed amendments to the indenture governing the notes require the consent of the holders of a majority in aggregate principal amount of the notes for the proposed amendments to the indenture to become operative.

Revocation of Consents

A holder of notes may revoke a previously submitted consent at any time prior to the expiration date by following the procedures set forth herein.

Guarantees

We are offering to fully and unconditionally guarantee UbiquiTel's payment obligations under the notes and the indenture governing

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the notes, on a senior, unsecured basis, if the proposed amendments to the indenture become effective. If the guarantee is issued and UbiquiTel cannot make any payment on the notes, we would be required to make the payment instead.

United States Federal Income Tax Considerations

Although the issue is not free from doubt, we believe that a holder of notes should not recognize any income, gain or loss as a result of the implementation of the proposed amendments to the indenture governing the notes and the provision of our guarantee. See United States Federal Income Tax Considerations.

Solicitation Agent

The solicitation agent for the consent solicitation is Bear, Stearns & Co. Inc.

Consent Agent

The consent agent for the consent solicitation is The Bank of New York.

Information Agent

The information agent for the consent solicitation is Georgeson, Inc. Additional copies of this prospectus, the letter of consent and other related materials may be obtained from the information agent.

Risk Factors

You should read the Risk Factors section beginning on page 6 of this prospectus, as well as other cautionary statements included or incorporated by reference into this prospectus, to ensure that you understand the risks associated with the consent solicitation and the guarantee.

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The following table sets forth our selected historical financial data. The following data as of and for each of the years in the five-year period ended December 31, 2005 have been derived from our consolidated financial statements. The statement of operations and balance sheet data as of June 30, 2006 and 2005 have been derived from our unaudited consolidated financial statements. All periods reflect the spin-off of our local communications business, completed on May 17, 2006, as discontinued operations. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. The following information should be read together with our consolidated financial statements and the notes related to those financial statements, which are incorporated by reference into this prospectus. The information set forth below is not necessarily indicative of the results of future operations.

	As of or for the Six Months Ended		As of or for the Years Ended December 31,				
	June 30, 2006	2005	2005	2004	2003	2002	2001
(In millions, except per share amounts and ratios)							
Statement of Operations Data:							
Net operating revenues	\$ 20,088	\$ 11,172	\$ 28,789	\$ 21,647	\$ 20,414	\$ 20,889	\$ 19,595
Operating income (loss)(1)(2)	1,196	1,356	2,141	(1,999)	(729)	417	(2,582)
Income (loss) from continuing operations(1)(2)	455	553	821	(2,006)	(1,306)	(522)	(2,632)
Net income (loss)(1)(2)	789	1,072	1,785	(1,012)	1,290	610	(1,447)
Diluted earnings (loss) per common share from continuing operations(1) (2) (3)(4)	\$ 0.15	\$ 0.37	\$ 0.40	\$ (1.40)	\$ (0.92)	\$ (0.38)	\$ (1.91)
Basic earnings (loss) per common share from continuing operations(1) (2) (3)(4)	\$ 0.15	\$ 0.37	\$ 0.40	\$ (1.40)	\$ (0.92)	\$ (0.38)	\$ (1.91)
Diluted earnings (loss) per common share(3)(4)	\$ 0.26	\$ 0.71	\$ 0.87	\$ (0.71)	\$ 0.91	\$ 0.43	\$ (1.05)
Basic earnings (loss) per common share(3)(4)	\$ 0.26	\$ 0.72	\$ 0.87	\$ (0.71)	\$ 0.91	\$ 0.43	\$ (1.05)
Diluted weighted average common shares outstanding(3)(4)	2,997	1,497	2,054	1,443	1,415	1,400	1,382
Basic weighted average common shares outstanding(3)(4)	2,974	1,479	2,033	1,443	1,415	1,400	1,382
	\$ 0.05	\$ 0.25	\$ 0.30	Note(6)	Note(6)	Note(6)	Note(6)

Dividends per common
share(5)(6)

Balance Sheet Data:

Total assets	\$ 98,251	\$ 42,529	\$ 102,580	\$ 41,321	\$ 42,675	\$ 45,113	\$ 45,619
Property, plant and equipment, net	24,120	14,341	23,329	14,662	19,130	21,127	21,423
Intangible assets, net	60,655	7,802	49,307	7,809	7,788	9,019	9,034
Total debt (including short-term and long-term borrowings, equity unit notes and redeemable preferred stock)	23,301	15,578	25,261	16,672	18,490	21,109	21,522
Shareholders equity	54,012	14,478	51,937	13,521	13,113	12,108	12,450
Ratio of Earnings to Fixed Charges:	1.57	2.16	1.63	(7)	(8)	(9)	(10)

(1) For the six months ended June 30, 2006, we recorded net charges reducing our operating income by \$267 million and income from continuing operations by \$161 million. For the six months ended June 30, 2005, we recorded net charges reducing our operating income by \$58 million and income from continuing operations by \$36 million. These charges for both periods related to merger and integration costs, asset impairments and restructuring charges.

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In 2005, we recorded net charges reducing our operating income by \$724 million and income from continuing operations by \$446 million. These charges related to merger and integration costs, asset impairments, restructurings and hurricane-related costs.

In 2004, we recorded net charges reducing our operating income by \$3.7 billion to an operating loss and reducing income from continuing operations by \$2.3 billion to an overall loss from continuing operations. The charges related primarily to restructurings and a long distance network impairment, partially offset by recoveries of fully reserved MCI Communications Corporation, or MCI, (now Verizon) receivables.

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

In 2002, we recorded charges reducing our operating income by \$318 million and reducing income from continuing operations by \$200 million. The charges related primarily to restructurings, asset impairments and expected loss on MCI receivables.

In 2001, we recorded charges reducing our operating income by \$1.7 billion to an operating loss and increasing the loss from continuing operations by \$1.1 billion. The charges related primarily to restructurings and asset impairments.

- (2) We adopted Statement of Financial Accounting Standards, or SFAS, No. 142, *Goodwill and Other Intangible Assets*, on January 1, 2002. Accordingly, amortization of goodwill, spectrum licenses and trademarks ceased as of that date because they are indefinite life intangibles.
- (3) As the effects of including the incremental shares associated with options, restricted stock units and employees stock purchase plan shares are antidilutive, both basic loss per common share and diluted loss per common share from continuing operations reflect the same calculation for the years ended December 31, 2004, 2003, 2002 and 2001.
- (4) All per share amounts have been restated, for all periods before 2004, to reflect the recombination of our common stock and PCS common stock as of the earliest period presented at an identical conversion ratio (0.50 shares of our common stock for each share of PCS common stock). The conversion ratio was also applied to dilutive PCS securities (mainly stock options, employees stock purchase plan shares, convertible preferred stock and restricted stock units) to determine diluted weighted average shares on a consolidated basis.
- (5) In the first and second quarter 2005, a dividend of \$0.125 per share was paid. In the third and fourth quarter 2005 and the first and second quarter 2006, the dividend was \$0.025 per share.
- (6) Before the recombination of our two tracking stocks, shares of PCS common stock did not receive dividends. For each of the four years ended December 31, 2004 and prior, shares of our common stock (before the conversion of shares of PCS common stock) received dividends of \$0.50 per share. In the first quarter 2004, shares of our common stock (before the conversion of shares of PCS common stock) received a dividend of \$0.125 per share. In the second, third and fourth quarter 2004, shares of our common stock, which included shares resulting from the conversion of shares of PCS common stock, received quarterly dividends of \$0.125 per share.
- (7) Earnings, as adjusted, were inadequate to cover fixed charges by \$3.3 billion in 2004.

- (8) Earnings, as adjusted, were inadequate to cover fixed charges by \$2.1 billion in 2003.
- (9) Earnings, as adjusted, were inadequate to cover fixed charges by \$1.1 billion in 2002.
- (10) Earnings, as adjusted, were inadequate to cover fixed charges by \$4.0 billion in 2001.

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RISK FACTORS

You should carefully consider the risk factors discussed below, as well as the other information included and incorporated by reference into this prospectus, in connection with participation in the consent solicitation.

Risk Factors Relating to the Proposed Amendments to the Indenture

The proposed amendments to the indenture would result in fewer restrictions on UbiquiTel's conduct than currently exist.

If the proposed amendments to the indenture become effective, the covenants in the amended indenture would generally impose fewer restrictions on UbiquiTel's conduct than the covenants currently in the indenture. The proposed amendments would allow UbiquiTel to take actions that would otherwise have been restricted or conditioned, including certain transactions with affiliates, and with which you may not agree. For example, the proposed amendments would allow UbiquiTel to sell assets to any of our subsidiaries without using the proceeds to acquire other assets used or useful in UbiquiTel's business. This could result in a decrease in revenues of UbiquiTel that would be available to repay its indebtedness, including the UbiquiTel notes. Similarly, the proposed amendments to the indentures would permit UbiquiTel to engage in transactions with affiliates, which might, in certain circumstances, otherwise require UbiquiTel to seek a waiver from noteholders. See The Consent Solicitation Description of the Proposed Amendments and Annex A to this prospectus for more information about the differences between what actions are currently restricted by the covenants currently applicable to the notes and what actions would be restricted by the covenants following the effectiveness of the proposed amendments.

Holders of the notes may be adversely affected if we do not issue our guarantee because, in that case, holders will have a claim only against UbiquiTel, or UbiquiTel Parent, and not us.

UbiquiTel has a substantial amount of debt, including its obligations under the notes. The indenture governing the notes limits UbiquiTel's ability to, among other things, borrow more money, which limits its ability to raise additional capital that may be necessary to pay its debts, including the notes. If we do not receive the required consents, in which case we would not issue the guarantee, and UbiquiTel is unable to satisfy its payment obligations on the notes, holders of the notes would have no direct claim against us for these payment obligations.

There can be no assurance that the implementation of the proposed amendments to the indenture and the provision of our guarantee of the notes will not constitute a taxable event for the holders of the notes.

We believe that the adoption of the proposed amendments and the provision of our guarantee of the notes should not constitute a taxable event for the holders of the notes. However, these actions could be treated as significant modifications of the notes resulting in a deemed exchange not treated as a recapitalization for tax purposes. If, contrary to our belief, the implementation of the proposed amendments and the provision of our guarantee were treated in this manner, a holder of the notes would recognize gain or loss in an amount equal to the difference, if any, between the amount realized by the holder in the deemed exchange and the holder's adjusted tax basis in the notes deemed to be exchanged.

Risk Factors Relating to the Sprint-Nextel Merger and the Spin-off of Embarq

We may not be able to successfully integrate the businesses of Nextel with ours and realize the anticipated benefits of the merger.

Significant management attention and resources are being devoted to integrating the Nextel wireless network and other wireless technologies with ours, as well as the business practices, operations and support functions of the two companies. The challenges we are facing and/or may face in the future in connection with these integration efforts include the following:

integrating our code division multiple access, or CDMA, and integrated Digital Enhanced Network, or iDEN[®], wireless networks, which operate on different technology platforms and use different spectrum

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bands, and developing wireless devices and other products and services that operate seamlessly on both technology platforms;

developing and deploying next generation wireless technologies;

combining and simplifying diverse product and service offerings, subscriber plans and sales and marketing approaches;

preserving subscriber, supplier and other important relationships;

consolidating and integrating duplicative facilities and operations, including back-office systems; and

addressing differences in business cultures, preserving employee morale and retaining key employees, while maintaining focus on providing consistent, high quality customer service and meeting our operational and financial goals.

The process of integrating Nextel's operations with ours could cause interruptions of, or loss of momentum in, our business and financial performance. The diversion of management's attention and any delays or difficulties encountered in connection with the integration of the two companies' operations could have an adverse effect on our business, financial condition or results of operations. We may also incur additional and unforeseen expenses in connection with the integration efforts. There can be no assurance that the expense savings and synergies that we anticipate from the merger will be realized fully or within our expected timeframe.

We also recently acquired six third party affiliates that offer wireless services under the Sprint brand name on CDMA networks built and operated at their own expense, or PCS Affiliates (US Unwired, Inc., IWO Holdings, Inc., Gulf Coast Wireless Limited Partnership, Alamosa Holdings, Inc., Enterprise Communications Partnership and UbiquiTel), and Nextel Partners Inc., or Nextel Partners, which provides service under the Nextel brand name in certain areas of the U.S. The process of integrating the business practices, operations and support functions of these companies could involve challenges similar to those identified above or add to those challenges by placing a greater strain on our management and employees.

We are subject to restrictions on acquisitions involving our stock and other stock issuances and possibly other corporate opportunities in order to enable the spin-off of our local communications business to qualify for tax-free treatment.

The spin-off of our local communications business, which is now an independent, publicly traded company known as Embarq Corporation, or Embarq, cannot qualify for tax-free treatment if 50% or more (by vote or value) of our stock, or the stock of Embarq, is acquired or issued as part of a plan, or series of related transactions, that includes the spin-off. Because the Nextel merger generally is treated as involving the acquisition of 49.9% of our stock (and the stock of Embarq) for purposes of this analysis, we are subject to restrictions on certain acquisitions using our stock and other issuances of our stock in order to enable the spin-off to qualify for tax-free treatment. At this time, it is not possible to determine how long these restrictions will apply. In addition, it is not possible to determine whether these limitations will have a material impact on us.

If the spin-off of Embarq does not qualify as a tax-free transaction, tax could be imposed on both our shareholders and us.

We have received a private letter ruling from the Internal Revenue Service, or IRS, that the spin-off of Embarq qualifies for tax-free treatment under Sections 355 and 361 of the Internal Revenue Code of 1986, as amended. In

addition, we obtained opinions of counsel from each of Cravath, Swaine & Moore LLP and Paul, Weiss, Rifkind, Wharton & Garrison LLP that the spin-off so qualifies. The IRS ruling and the opinions rely on certain representations, assumptions and undertakings, including those relating to the past and future conduct of Embarq s and our business, and neither the IRS ruling nor the opinions would be valid if such representations, assumptions and undertakings were incorrect. Moreover, the IRS private letter ruling does not address all the issues that are relevant to determining whether the distribution qualifies for tax-free treatment. Notwithstanding the IRS private letter ruling and opinions, the IRS could determine that the distribution should

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be treated as a taxable transaction if it determines that any of the representations, assumptions or undertakings that were included in the request for the private letter ruling are false or have been violated, or if it disagrees with the conclusions in the opinions that are not covered by the IRS private letter ruling. If the distribution fails to qualify for tax-free treatment, it will be treated as a taxable distribution to our shareholders in an amount equal to the fair market value of Embarq's equity securities (i.e., Embarq's common stock issued to our common shareholders) received by them. In addition, we would be required to recognize gain in an amount up to the fair market value of the Embarq equity securities that we distributed on the distribution date plus the fair market value of the senior notes of Embarq received by us.

Furthermore, subsequent events could cause us to recognize gain on the distribution. For example, even minimal acquisitions of our equity securities or Embarq's equity securities that are deemed to be part of a plan or a series of related transactions that include the distribution and the Sprint-Nextel merger could cause us to recognize gain on the distribution.

We are subject to exclusivity provisions and other restrictions under our arrangements with the remaining independent PCS Affiliates. Continued compliance with those restrictions may limit our ability to achieve synergies and fully integrate the operations of Nextel in the geographic areas served by those PCS Affiliates, and we could incur significant costs to resolve issues related to the merger under these arrangements. The manner in which these restrictions will be addressed is not currently known.

The arrangements with the remaining four independent PCS Affiliates restrict our and their ability to own, operate, build or manage specified wireless communication networks or to sell certain wireless services within specified geographic areas. Several of these PCS Affiliates have commenced litigation against us asserting that actions that we have taken or may take in the future in connection with our integration efforts are inconsistent with our obligations under our agreements with them, particularly with respect to the restrictions noted above. Continued compliance with those restrictions may limit our ability to achieve synergies and fully integrate the operations of Nextel and Nextel Partners in the areas served by those PCS Affiliates. We could incur significant costs to resolve these issues.

Risk Factors Relating to Our Business and Operations

We face intense competition that may reduce our market share and harm our financial performance.

Each of our two operating segments faces intense competition. Our ability to compete effectively depends on, among other things, the factors discussed below.

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

The traditional dividing lines between long distance, local, wireless, cable 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