UNITED STATES DISTRICT COURT

DISTRICT OF KANSAS

AT KANSAS CITY

CORA E. BENNETT, Individually and On Behalf of All Others Similarly Situated, Plaintiff, vs. SPRINT NEXTEL CORPORATION, GARY D. FORSEE, PAUL N. SALEH and WILLIAM G. ARENDT, Defendants.	Civil Action No. 09-CV-2122 EFM/KMH <u>CLASS ACTION</u> COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS <u>DEMAND FOR JURY TRIAL</u>

INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of Sprint Nextel Corporation ("Sprint" or the "Company") between October 26, 2006 and February 27, 2008 (the "Class Period"), against Sprint and certain of its former officers and/or directors for violations of the Securities Exchange Act of 1934 ("1934 Act").

2. Sprint is a global communication company offering a range of wireless and wireline communications products and services for individual consumers, businesses and government customers. The Company conducts its operations through two segments: Wireless and Wireline. Sprint is headquartered in Overland Park, Kansas.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company's business and financial results. As a result of defendants' false statements, Sprint stock traded at artificially inflated prices during the Class Period.

4. Sprint is the third-largest wireless carrier by subscribers. As of year-end 2007, it had 53.8 million subscribers whereas AT&T and Verizon had 70.1 million and 65.7 million, respectively. The market for cell phones has shifted dramatically in recent years with the industry. Currently around 80% of U.S. consumers already own a cell phone and as a result wireless carriers must look for growth by trying to take customers from their competitors. Both prior to and during the Class Period, Sprint had difficulties with its subscriber base losing ground to AT&T and Verizon.

5. In the wireless industry, churn, net additions and average revenue per user ("ARPU") are key measurements of a wireless carrier's operations and important indicators of its ability to grow its business and generate revenue in the future.

6. Churn is the ability to retain customers as measured by the rate of subscriber churn. It represents the percentage of existing customers who leave each month. Churn consists of voluntary

and involuntary churn. Voluntary churn occurs when the customer terminates the relationship based upon his or her own decision to cease being a customer of the company. Involuntary churn occurs when the company terminates the relationship based upon a lack of a payment or other reasons. Involuntary churn is to a large extent a function of the credit quality of a company's subscribers. Subscribers with low credit ratings or no credit history generally have a higher rate of involuntary churn, resulting in higher bad debt expense. In the case of Sprint, its subprime subscribers had an involuntary churn level three times higher than the Company's prime subscribers.

7. Net additions or losses represent the number of subscribers a company has added or lost during a period, while ARPU is calculated by the service revenue for the period divided by the sum of the average number of subscribers per month during the period.

8. In December 2004, Sprint Corporation and Nextel Communications ("Nextel") announced that they would merge. At the time, the merger was deemed as a "merger of equals" with each company having a market capitalization of approximately $33 billion. The merger was completed on August 12, 2005, with Sprint Corporation buying Nextel for $37.8 billion – a large amount of the purchase price was recorded as goodwill. At the time of the merger, Gary D. Forsee ("Forsee") was Chief Executive Officer ("CEO") and President of Sprint Corporation and Timothy Donahue was CEO of Nextel. After the merger, Forsee continued on as the CEO and President of the combined company and Donahue as Chairman.

9. Since the merger, Sprint has struggled with technical, financial, operational and cultural problems related to the merger. The two companies had dramatically different corporate cultures, clashing marketing strategies and incompatible networks.

10. At the time of the merger, Sprint Corporation was a century-old company and had legacy local and long distance businesses. Sprint Corporation, based in Overland, Kansas, had a very bureaucratic operational style. Sprint Corporation's wireless business focused on consumer

wireless services. Nextel, on the other hand, was barely a decade old. Nextel based in Reston, Virginia, had a very aggressive and entrepreneurial operational style.

11. A main source of Sprint's troubles was due to the incompatible networks operated by the two legacy Sprint and Nextel businesses and its failure to integrate the two networks. Sprint offered traditional cell phones, operating its wireless system over a network called CDMA, a system also used by Verizon. Nextel offered cell phone type equipment equipped with walkie-talkie-like features, operating its wireless system over a proprietary network called iDEN. Nextel operated its network on a spectrum range similar to that used by taxi dispatchers. In fact, its network had been pieced together out of cab companies' walkie-talkie licenses. Its "push to talk" feature was popular with construction foremen, taxi drivers, plumbers and tradesmen. The "push to talk" feature allowed its subscribers to communicate often and wirelessly with several people at the touch of a walkie-talkie-type button.

12. Nextel's subscriber base was extremely loyal, resulting in it having one of the lowest churn rates in the industry, and its high prices for services resulted in its having one of the highest ARPU in the industry. Nonetheless, given the tremendous growth in Nextel's subscribers, it was close to maxing out its network and clientele of business users and looked to Sprint as a solution.

13. The merger turned out to be a disaster and the Company has had difficulties in combining the resources of the two companies due to culture clashes and technological issues. During the first year after the merger, the Nextel side experienced severe technical glitches due to degrading call quality and rebanding – a complex project to limit interference between Nextel's network and public safety radio systems. In some cases, Sprint had to slow growth in certain markets because no network capacity was available. Furthermore, in early 2006, Sprint made changes to Nextel's network which resulted in call quality problems and customer frustration.

14. On August 3, 2006, a year after the merger, Sprint announced poor second quarter 2006 results, announcing that Sprint's quarterly profit had fallen 38% and that the Company was reducing its annual profit and revenue guidance. As a result, investors began to see Sprint's difficulties with the merger and integrating the two companies and severely punished the Company's stock price sending Sprint's stock down $2.38 or 11.2% to close at $17.75 per share on August 3, 2006 – the largest one-day decline since July 2002.

15. A few weeks following the announcement of 2Q 2006 results, the Company fired its then Chief Operating Officer, Len Lauer, and Forsee assumed the role of the COO in addition to being the CEO and President, and took over the day-to-day operations. Speculation soon began that Forsee's job was also on the line.

16. At the time of the announcement of the second quarter 2006 results, the Company also announced that it had taken certain initiatives in order to address the problems with the Company's business and that Sprint was poised for a turnaround. The Company promised improved performance in 2007, especially the second half of 2007 and a return to growth in 2008. It further promised that it would be focused on addressing its network and customer service issues.

17. At the time, the Company's churn was above 2%. By comparison, Verizon's churn was around 0.9% and AT&T's churn was at 1.5%. Sprint announced that reducing churn was its top priority and that it expected to reduce its level of churn to 2% by year-end 2007. Thereafter, the defendants repeatedly assured the market about the Company's ability to reduce its churn rate.

18. Both prior to and during the Class Period, Sprint suffered from problems both with its voluntary and involuntary churn. Sprint's churn was a function of 55% from voluntary churn and 45% from involuntary churn.

19. Sprint had seriously problems with its involuntary churn stemming from its subprime customers. Prior to the Class Period, Sprint had been eager to attract new customers and accepted a

lot of subprime subscribers, who were rejected by Verizon and AT&T. This was especially true with regards to the iDEN network. This placed a great deal of pressure on the Company's involuntary churn. It further placed pressure on the Company's voluntary churn in certain markets as the nonpaying subscribers were taking up a great deal of network capacity causing Sprint's paying subscribers to have problems with the network, thus leading to their dissatisfaction with Sprint.

20. As part of the Company's turnaround strategy initiated in August 2006, the Company announced that it would address the involuntary churn situation by tightening its credit policies. According to the Company, it had tightened its policies with respect to the iDEN network in August 2006 and later in October 2006 it had also tightened its policies with respect to the CDMA network. The Company explained that while the tightening credit policies would result in short-term pressure on the Company's net additions and on the Company's ability to maintain its ARPU, as subprime customers typically generated a higher rate of ARPU than prime customers, the Company's new credit policy would be beneficial to the long-term operations of the Company and would be an important step in reducing churn.

21. Additionally, Sprint suffered from serious problems with its voluntary churn with customer dissatisfaction being a major problem for Sprint in maintaining its subscriber base. As a part of its initiatives enacted in August 2006, Sprint promised that it would be focused on addressing its customer service problems.

22. As of August 2006, the Company continued to maintain separate billing and customer care platforms for its legacy Sprint and legacy Nextel operations. Customer service representatives would have to toggle back and forth between the two systems and at times would not have access to billing or technical information for customers. Given that one of the main reasons a customer calls Sprint's customer care center is due to inaccurate account set-up and other billing issues, it was difficult for service representatives to quickly and efficiently resolve customers' problems. One of

the initiatives the Company announced as part of its turnaround strategy was that it would be migrating the two systems to a single billing platform. The Company promised that it would complete its migration by mid- to late 2007.

23. The Company further announced that it would be focused on first call resolution – the number of customer calls that are resolved with the first call into the customer service center. The legacy Nextel customer service centers were focused on first call resolution. Employees were judged based upon the number of customer calls that they resolved each month. After the merger, the policy changed and employees were instead judged based upon the number of calls they could handle each month – time limits were placed on the amount of time that a customer service representative spent on the phone with any one customer. This led to a serious deterioration in Sprint's customer service as many of Sprint's customers would have to make several calls into Sprint's customer service center in order to get their problems resolved and further led to a substantial increase in Sprint's voluntary churn rate.

24. During the Class Period, defendants repeatedly assured the market that the Company was poised for a turnaround and was focused on improving its core operations. It further assured the market that the initiatives that the Company had enacted in mid-2006 were beginning to take hold and were working. As late as the summer of 2007, defendants continued to play down and conceal Sprint's problems with its network and with its customer service issues and subscriber base.

25. Beginning in early Fall 2007, Sprint finally began to acknowledge that its initiatives were not working and that the Company was experiencing a serious deterioration in its subscriber base, due both to a slow down in new growth and a massive defection of its current subscribers to its competitors.

26. On January 18, 2008, Sprint issued a press release entitled "Sprint Nextel Reports Fourth-Quarter Subscriber Results, Announces Actions to Streamline Operations," which stated in part:

> Sprint Nextel Corp. today reported wireless subscriber results for the fourth quarter of 2007, announced initial plans to streamline its business as part of an ongoing review of its operations and market approach, and provided an update on its annual assessment of the goodwill recorded on its financial statements.
>
> For the fourth quarter Sprint Nextel reported a net gain of 500,000 subscribers through wholesale channels, growth of 256,000 Boost Unlimited users and net additions of 20,000 subscribers within affiliate channels. These gains were offset by net losses of 683,000 post-paid subscribers and 202,000 traditional pre-paid users.
>
> In the fourth quarter, post-paid churn was 2.3 percent. Compared to the third quarter, improved voluntary churn in both the CDMA and iDEN customer bases was offset by higher involuntary churn. At the end of 2007, Sprint Nextel served a total subscriber base of 53.8 million subscribers including 40.8 million post-paid, 4.1 million traditional pre-paid, 500,000 Boost Unlimited, 7.7 million wholesale and 850,000 subscribers through affiliates.
>
> Anticipating continued downward pressure on subscriber trends, revenues, and profitability in 2008, Sprint Nextel also announced initial plans to streamline the business in coming months. These plans call for job reductions across the company including approximately 4,000 internal positions and reduced utilization of outsourced services and contractors. The company also expects to eliminate more than 4,000 third-party distribution points and to close approximately 125, or 8 percent, of its company-owned retail locations. The company has approximately 20,000 total distribution points, including nearly 1,400 company-owned retail locations.
>
> Sprint Nextel currently expects these actions to reduce its internal and external labor costs by an annualized rate of $700-$800 million by the end of 2008. The employee headcount reductions are expected to be completed in the first half of the year and will include management and non-management positions throughout the company. The company will offer a voluntary separation plan for its employees, and displaced employees will receive separation pay and outplacement and other services. The company expects to record a first-quarter charge for severance costs associated with the workforce reduction.
>
> Sprint Nextel is currently performing its annual assessment of the goodwill recorded on its financial statements and expects to conclude this process prior to the release of its fourth-quarter earnings report. Given current market conditions, particularly the recent decrease in the company's stock price, Sprint Nextel could determine that it will record a non-cash impairment charge related to goodwill in the

> fourth quarter 2007. Any such charge would have no affect on either the company's current cash balance or future cash flows.

27. After this partial disclosure, Sprint's stock fell sharply $2.87 per share to close at $8.70 per share, a one-day decline of 25% on volume of 230 million shares, over 11 times the average three-month volume.

28. Further as truth about the Company's operations came out, the news negatively impacted Sprint's credit ratings.

29. On January 18, 2008, Fitch Ratings ("Fitch") lowered Sprint's credit ratings on its long-term debt to junk status and its ratings on its short-term debt to what is considered "fair" credit quality from "good" credit quality. Fitch further placed Sprint on rating watch negative, meaning it could be lowered even further.

30. Likewise, on January 22, 2008, Standard & Poor's Ratings Services ("S&P") lowered Sprint's corporate debt rating to one level above non-investment grade status or "junk" status.

31. On February 28, 2008, before the market opened, the Company reported its fourth quarter and full year 2007 financial results, in a release which stated in part:

> Sprint Nextel Corp. today reported fourth quarter and full-year 2007 financial results. Consolidated net operating revenues in the quarter were $9.8 billion, compared to $10.4 billion in the fourth quarter of 2006. Full-year 2007 revenues were $40.1 billion versus $41.0 billion in 2006. ***In the quarter, the company recorded a non-cash goodwill impairment charge of $29.7 billion. The net loss for the quarter was $29.5 billion or $10.36 diluted loss per share compared to net income of $261 million or 9 cents diluted earnings per share in the fourth quarter a year ago***.
>
> After adjusting for the goodwill impairment charge, as well as the effects of other special items and merger-related amortization costs, Adjusted EPS before Amortization was 21 cents in the fourth quarter of 2007, compared to 29 cents in the fourth quarter of 2006. The decline in earnings is due to a reduced contribution from Wireless, partially offset by an improved contribution from Wireline, an investment gain and an income tax benefit in the fourth quarter of 2007.
>
> As previously reported, wireless subscribers declined 108,000 in the fourth quarter, due to gains in wholesale and Boost Unlimited subscribers offset by decreases in iDEN post-paid and traditional Boost pre-paid users. For the quarter, post-paid churn was 2.3%, matching the third quarter of 2007 and the fourth quarter

of 2006. Wireless post-paid ARPU in the quarter was a little more than $58, a 1% sequential decline and a 4% decrease compared to the fourth quarter of 2006. ARPU continues to be pressured by lower voice contributions, partially offset by growth in data services.

"The fourth quarter financial results reflect the challenges facing our Wireless business," said Dan Hesse, Sprint Nextel CEO. "We are making significant changes across the organization in an effort to improve execution, stabilize our customer base and deliver on the opportunity provided by our assets. Given current deteriorating business conditions, which are more difficult than what I had expected to encounter, these changes will take time to produce improved operating performance, and our near-term subscriber and financial results will continue to be pressured. Additionally, in light of current capital market conditions, we are taking steps to increase our financial flexibility and mitigate refinancing risk by borrowing funds from a revolving credit facility and discontinuing declaring a dividend for the foreseeable future.

"Internally, we have rolled out a unified company culture focused on accountability and on providing a superior customer experience. We plan to share some of our initiatives for improving the customer experience and operations next quarter. Strategic assessments and changes may take longer to complete," Hesse said.

* * *

The following is a discussion of consolidated results:

- Lower revenues in the quarter are principally due to a decline in Wireless contribution.

- In the quarter, net special items reduced reported GAAP losses by $10.42 per share. In addition to the goodwill impairment charge, special items include pre-tax charges of $119 million for merger and integration costs related to the Sprint-Nextel merger and associated acquisitions, $56 million for severance, exit costs and asset impairments, pre-tax gains of $44 million from litigation and insurance settlements, and $60 million from an investment. Special items are detailed in the Notes to Financial Data.

* * *

- On Feb. 27, 2008, Sprint Nextel borrowed $2.5 billion in principal amount under its revolving credit facility. The company has no immediate need for additional liquidity, but in light of current market conditions borrowed the funds to provide greater financial flexibility and to mitigate any potential financing risk related to $1.25 billion in bonds that mature in November 2008, as well as the approximately $400 million outstanding under our commercial paper program, and

$600 million of bonds that mature in May, 2009. The company has no other material refinancing scheduled until 2010. About $500 million of borrowing capacity remains available under the revolving credit facility.

- Sprint Nextel's Board of Directors has determined that the company will not declare a dividend for the foreseeable future, in an effort to retain greater financial flexibility.

- The company did not make any purchases under its $6 billion stock buyback authorization in the fourth quarter of 2007 or in the first quarter of 2008. This authorization expired in January 2008.

* * *

The following is a discussion of Wireless results.

Subscribers

- Wireless had 53.8 million total subscribers at the end of 2007. This compares with 53.1 million subscribers at the end of 2006. The net growth of 700,000 subscribers for the year reflects a gain of 1.9 million subscribers in prepaid and wholesale segments, offset by a net decline of 1.2 million in direct and affiliate post-paid subscribers.

- At the end of the fourth quarter, Sprint Nextel served a little more than 35 million subscribers on the CDMA platform, 17.3 million on iDEN and 1.4 million PowerSource subscribers who access both platforms.

- The year-end subscriber base consists of approximately 76% post-paid users, 9% prepaid, and 15% in wholesale and affiliates.

- In the fourth quarter, total post-paid subscribers declined 683,000 due to a loss of iDEN users. In the third quarter of 2007, post-paid subscribers declined by 337,000. The increased loss of post-paid subscribers in the fourth quarter reflects lower gross additions, partially offset by fewer deactivations.

* * *

Churn

- Overall, post-paid churn was 2.3% in the quarter.

- In the fourth quarter, the post-paid churn rate was flat with the third quarter for both the iDEN and CDMA bases.

- Boost pre-paid churn was 7.5% compared to 6.2% in the third quarter of 2007 and 6.5% in the fourth quarter of 2006.

Revenues/ARPU

- Net operating revenues declined 2% sequentially and 6% compared to the fourth quarter of 2006. Service revenues declined 3% sequentially and 5% year-over-year due to lower average revenue per customer and a smaller base of post-paid customers. Equipment revenues declined 15% compared to the year-ago period, but were up 2% sequentially. The annual decline reflects more aggressive market pricing and increased sales of lower-priced handsets. The sequential increase is due to higher average priced handset sales.

- Post-paid ARPU was a little more than $58 in the quarter, compared to $59 in the third quarter and a little more than $60 in the fourth quarter of 2006. CDMA post-paid ARPU decreased a little under 1% from both the year-ago period and sequentially. iDEN post-paid ARPU was 7% below the prior year and declined 3% sequentially. The post-paid ARPU decline reflects lower voice revenues, partially offset by increased data revenues.

(Footnotes omitted.)

32. On February 28, 2008, Sprint's stock collapsed $0.86 per share to close at $8.09 per share, a one-day decline of 10% on volume of 126 million shares, over four times the average three-month volume.

33. On February 28, 2008, Fitch again lowered Sprint's credit ratings on both its long-term and short-term debt. Fitch further announced that it was keeping Sprint on rating watch negative.

34. Thereafter on February 29, 2008, S&P placed Sprint's rating on a watch list for another possible downgrade. According to S&P, "[t]he erosion in Sprint Nextel's subscriber base and the resultant decline in EBITDA are substantially higher than we anticipated and the company's business profile is probably no longer supportive of an investment-grade rating."

35. On May 1, 2008, S&P again cut Sprint's credit rating to junk status.

36. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company's CDMA business was not as healthy as represented. Sprint had not actually tightened its credit standards for its CDMA business in October 2006, but rather did the exact opposite and loosened its standards for new subscribers in late 2006 and early 2007 in certain of its markets. This loosening led to an increase in subprime subscribers which allowed the Company to post gains in net additions for the CDMA business in early 2007 and made it appear as if its ARPU was stabilizing. Nonetheless, these moves were only short-term gains at the expense of long-term growth and churn rate reduction.

(b) The Company would be unable to complete its migration of its entire customer base to a uniform billing platform by 2007 from the multiple legacy platforms, thus continuing to cause customer service problems and having a negative effect on the Company's voluntary churn rate. As of year-end 2007, 30% of Sprint's postpaid subscribers would still need to be moved over to the new platform in 2008;

(c) The Company had not taken the proper steps to address its customer service issues. For example, the Company did not focus on first call resolution despite its assurances otherwise, as it had not changed its policy regarding time limits on customer service calls. At the end of 2007, Sprint's rate of resolving customer problems on the first call stood at 53%. By comparison, T-Mobile, one of Sprint's competitors, had a rate of 71%, despite the fact that Sprint had three times as many care specialists. Accordingly, customer service remained a disaster and the Company's major problem in maintaining its subscriber base, and, as a result, voluntary churn would remain under pressure.

(d) The Company failed to disclose known trends and uncertainties as required by SEC regulations concerning the loosening of its credit standards for its CDMA network and its failure to take the proper steps to address customer service issues, which would have a negative effect on the Company's operations in the future;

(e) The Company was not adequately reserving for its impaired goodwill associated with Nextel in violation of GAAP, causing its financial results to be materially misstated;

(f) The Company was not adequately reserving for its allowance for bad debts related to subprime subscribers in violation of GAAP, causing its financial results to be materially misstated;

(g) The Company had far greater exposure to liquidity concerns and ratings downgrades than it had previously disclosed;

(h) The Company was failing to integrate the CDMA network and the iDEN network. By 2008, two and a half years after the merger, the Company had consolidated fewer than 10% of the cell sites needed to run both networks; and

(i) Given the increased volatility in the subprime market, the intense competition in the wireless industry and the problems facing Sprint due to its failure to integrate legacy Sprint and legacy Nextel operations, the Company had no reasonable basis to make projections about its ability to maintain and grow its subscriber base, its ability to decrease and then maintain its churn rate to a level of 2% by year-end 2007, its ability to recognize $14.5 billion in merger synergies and its ability to deliver two to three million hybrid dual-mode phones into the market by year-end 2007. As a result, the Company's projections issued during the Class Period about its earnings for 2007 and 2008 were at a minimum reckless.

37. As a result of defendants' false statements, Sprint's stock traded at inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 65% from their Class Period high.

JURISDICTION AND VENUE

38. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

39. (a) Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District.

(b) Sprint's principal executive offices are located at 6200 Sprint Parkway, Overland Park, Kansas.

PARTIES

40. Plaintiff Cora E. Bennett purchased Sprint common stock as described in the attached certification and was damaged thereby.

41. Defendant Sprint offers a range of wireless and wireline communications services to consumers, businesses, and government users in the United States and internationally.

42. Defendant Gary D. Forsee ("Forsee") served as President and Chief Executive Officer ("CEO") and a director of Sprint from March 2003 until his termination on January 1, 2008. Additionally, Forsee served as Chairman of the Board from December 2006 through October 2007. During the Class Period, Forsee was responsible for the Company's false financial and public statements.

43. Defendant Paul N. Saleh ("Saleh") served as Chief Financial Officer ("CFO") of Sprint from the time of the merger in August 2005 until his resignation on January 25, 2008. Previously, Saleh served as CFO of Nextel from 2001 until August 2005. Saleh assumed the role of Acting CEO of Sprint upon Forsee's resignation until December 18, 2007. During the Class Period, Saleh was responsible for the Company's false financial and public statements.

44. Defendant William G. Arendt ("Arendt") served as Senior Vice President and Controller of Sprint from the time of the merger in August 2005 until October 2008. Arendt

assumed the role of Acting CFO of Sprint upon Saleh's resignation until May 2008. During the Class Period, Arendt was responsible for the Company false financial statements.

45. Defendants Forsee, Saleh and Arendt (the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of Sprint's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein at ¶¶53, 55-57, 59-63 and 65.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

46. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about Sprint. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Sprint common stock was a success, as it: (i) deceived the investing public regarding Sprint's prospects and business; (ii) artificially inflated the price of Sprint common stock; and (iii) caused plaintiff and other members of the Class to purchase Sprint common stock at inflated prices.

47. Defendants were also motivated by the compensation arrangements of Sprint. Defendants' compensation was in large part determined by the reported financial performance of the Company. Under the Company's Short-Term Incentive Compensation Plan ("STIC"), executives would be entitled to bonus payouts worth over 100% of their salary if the Company met specified

financial and operational goals for the year. The Human Capital and Compensation Committee ("HC&CC") of the Board would establish the targeted objectives for the year in March of each year.

48. Under the 2006 STIC, the executives were only entitled to a payout of 16.8% of their targeted opportunity given that the Company did not meet most of the targeted objectives set under the 2006 STIC. For the 2006 fiscal year, the HC&CC established three financial and operational objectives under the 2006 STIC. They were as follows:

- adjusted OIBDA, weighted at 50%;
- net subscriber additions, weighted at 30%; and
- post-paid wireless churn, weighed at 20%.

49. The Company met the minimum threshold levels based upon the adjusted OIBDA target but did not meet the minimum threshold levels for net subscriber additions and post-paid wireless churn. As a result, the HC&CC changed and lowered the established targets for the 2007 STIC. Due to the changes, the executives were entitled to be paid at least 60% of their targeted payout for 2007 despite disastrous 2007 results, including defendants Forsee and Saleh. The following changes were made to the objectives for the 2007 STIC:

- The minimum threshold for adjusted OIBDA was set at $10.7 billion for 2007 despite the fact that management's guidance for 2007 for adjusted OIBDA was $11 billion to $11.5 billion. The Company's reported OIBDA for 2006 was $12.7 billion.
- Net subscriber additions was dropped as an objective and replaced with net service revenue.
- The minimum threshold for post-paid wireless churn was set at 2.2% despite the fact that management's verbal guidance for churn was that it would be at or below 2% by the end of 2007. Moreover, the minimum threshold target would not have been met had it not been for the change in how the Company accounted for churn in the third quarter of 2007 which resulted in churn for the third and fourth quarters of 2007 being 10 to 20 basis points above where it would have been under the old method.

50. For 2006, defendants received the following amounts:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All other Compensation ($)	Total ($)
Gary D. Forsee Chairman, Chief Executive Officer and President	2006	1,436,783	—	10,070,270	8,374,256	—	1,165,216	254,910	21,301,435
Paul N. Saleh	2006	750,000	900,000	1,122,067	3,378,557	157,500	—	88,237	6,396,361

(Footnotes omitted.)

51. For 2007, defendants received the following amounts:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All other Compensation ($)	Total ($)
Paul N. Saleh Chief Financial Officer	2007	775,385	—	2,435,164	3,073,579	628,875	—	35,394	6,948,397
Former Executive Officer:									
Gary D. Forsee Former Chairman, Chief Executive Officer and President	2007	1,529,915	—	9,015,783	14,423,840	1,516,740	5,223,245	8,297,106	40,006,629

(Footnotes omitted.)

BACKGROUND

52. Sprint offers a range of wireless and wireline communication services to consumers, businesses and government users in the United States and internationally. The Company's Wireless segment provides an array of wireless mobile voice and data transmission services on networks that utilize CDMA and iDEN technologies. Sprint offers various wireless mobile voice communication services, including basic local and long distance wireless voice services, and voicemail, call waiting, three way calling, caller identification, directory assistance, call forwarding, speakerphone, and voice-activated dialing features, as well as roaming services. This segment also offers various data

communication services comprising wireless imaging; wireless data communications, such as Internet access and messaging, and email services; wireless entertainment; and asset and fleet management, dispatch services, and navigation tools. In addition, it offers walkie-talkie services, which give subscribers with iDEN-based devices the ability to communicate instantly across the continental United States and to and from Hawaii.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

53. On October 26, 2006, the Company reported its third quarter 2006 financial results, in a release which stated in part:

> ***Sprint Nextel Corp. today reported third quarter 2006 financial results. In the quarter, the company improved profitability and launched several initiatives to enhance operating performance.***
>
> For the quarter, diluted earnings per share (EPS) from continuing operations were 8 cents, compared to 12 cents per share for the third quarter 2005. The reported earnings include charges of 2 cents for special items and 22 cents for merger and acquisition-related amortization cost. For the quarter, Adjusted EPS before Amortization, which removes these effects, increased 7% to 32 cents per share, versus pro forma Adjusted EPS before Amortization of 30 cents in the year-ago period. Third quarter results reflect growth in operating income from the Wireless segment, offset by a lower contribution from Long Distance.
>
> In the current quarter, the company reported consolidated revenue of $10.5 billion, an increase of 8% compared to pro forma revenues in the 2005 third quarter. Consolidated Adjusted OIBDA of $3.4 billion increased 14 percent compared to the third quarter of 2005 pro forma results. In the quarter, the company reported a 38.4% Adjusted OIBDA margin in the Wireless segment and a Consolidated Adjusted OIBDA margin of 34.8%, a 150-basis point improvement from the year-ago period. Third-quarter Consolidated Free Cash Flow was $769 million.
>
> ***Total wireless net subscriber additions were 233,000 for the quarter due to growth in CDMA post-paid subscribers***, a gain in Boost pre-paid service subscribers and renewed growth in wholesale subscribers, offset by a decline in iDEN post-paid subscribers. At the end of the quarter, Sprint Nextel's total base was 51.9 million subscribers.
>
> In the third quarter, Wireless data revenues increased 74% compared to the year-ago period. Long Distance IP services increased 26% and Cable Voice over Internet Protocol (VoIP) users served by Sprint Nextel more than doubled from the third quarter a year-ago.

In August, the company initiated its common stock buy-back program which is expected to total up to $6 billion over an 18-month period. In the third quarter, the company acquired 91 million common shares at an aggregate cost of approximately $1.5 billion. The company will vary the amount and timing of its common stock purchases from time to time as the program proceeds.

"In the third quarter, our margins benefited from merger synergies and the scale provided by acquisitions," said Sprint Nextel President and Chief Executive Officer Gary Forsee. "Our profitability in the quarter is encouraging and demonstrates the potential of an asset mix that now is predominantly wireless. In the third quarter we took some actions to improve the quality of the customers coming into our business, and this is constraining our near-term growth. At the same time, we have taken a number of actions we believe will improve our top-line growth performance over time. Activities in the quarter included:

- Launching a new "Power Up" branding and marketing campaign that emphasizes the power of our network and the power we bring customers to enhance their lifestyles and productivity. The campaign focuses on both the Nextel and Sprint brands, and utilizes traditional national channels, local network advertising, new media and innovative placement approaches;

- Restructuring our sales, service and distribution organization and simplifying the business to enhance operating effectiveness while lowering our cost structure;

- Augmenting our product portfolio to include fourth quarter introductions of hybrid phones that will offer the benefits of Nextel and Sprint features, and a popular suite of Motorola handsets; and

- Investing in our networks, including initiatives to improve performance on the iDEN platform, expansion of our CDMA EV-DO broadband network to areas where 168 million people live or work, planning for the fourth quarter implementation of the EV-DO Rev. A network, and the announcement of the selection of WIMAX as our 4G Network technology.

"We have established an intense focus on execution across the company, and I am confident this will produce stronger customer growth and loyalty, improved margins and increased shareholder value over time," Forsee said.

* * *

Discussion of the following Wireless results is on a pro forma basis.

- Total operating revenues increased 12% compared to the year-ago period. Service revenues increased 14% due to a larger subscriber base, offset by lower average revenue per user (ARPU). After adjusting for Nextel Partners and all affiliate acquisitions, pro forma year-over-year net operating revenue growth would have been approximately 4%.

– Adjusted OIBDA Margin improved to 38.4% compared to 37.6% in the second quarter and 36.5% a year ago. The margin gain is due to a growing customer base and operating cost efficiencies which offset lower average customer revenues.

– In the quarter, the company reported a total net subscriber gain of 233,000. Total net additions include a loss of 188,000 post-paid subscribers, a gain of 216,000 Boost subscribers, a gain of 177,000 Wholesale subscribers, and a gain of 28,000 net subscribers from affiliates. The company also acquired 458,000 post-paid customers though the purchase of UbiquiTel.

– Total retail gross additions were approximately 3.8 million compared to 3.5 million a year ago on a pro forma basis and 3.8 million in the second quarter.

– Post-paid churn in the quarter was 2.4%. Churn increased from 2.1% in the second quarter, mainly due to seasonally higher CDMA network involuntary churn, higher iDEN network voluntary churn, and higher-than-expected Nextel Partners churn. Boost churn was 6.8% in the quarter versus 6.0% in the second quarter. The increase is due to increased competition.

– Direct post-paid ARPU was approximately $61, a decline of 5.5% year-over-year and 1% sequentially. After adjusting for the effects of affiliate acquisitions, the decline was 4% from a year ago and 1% sequentially. Strong growth in data services partially mitigated lower contributions from voice revenues. Data revenues contributed approximately $7.75 to direct post-paid ARPU, up from $7.25 in the second quarter. CDMA post-paid data ARPU exceeded $10 in the quarter. Boost ARPU was approximately $32.50 in the quarter.

– Net equipment subsidies increased 18% from the year-ago period due to higher gross additions. Subsidies declined 9% sequentially due to higher-priced handset sales. Cost of services increased 10% year-over-year and 6% sequentially due to a larger subscriber base, significant network expansion and deployment of broadband services. At the end of the quarter, Sprint Nextel was providing services through 59,000 cell sites. Selling, general and administrative expense increased 6% year-over-year and 6% sequentially. The year-over-year increase is due to increases in sales and marketing and customer care costs, while the sequential increase is due to higher sales costs and seasonally higher bad debt expense.

> – Year-to-date, Adjusted OIBDA exceeded capital expenditures by $5.2 billion compared to $3.6 billion in the year-ago period.

(Footnotes omitted.)

54. Following the release of the Company's third quarter earnings, Sprint's stock shot up in one day from $17.72 to $18.90 per share on volume of 71 million shares.

55. On November 16, 2006, Sprint issued a press release entitled "Sprint Nextel Announces Senior Notes Offering," which stated in part:

> Sprint Nextel today announced that it has priced a $2.0 billion underwritten public offering of 6.00 percent senior notes due 2016. The notes will be issued under an indenture between Sprint Nextel Corp. and The Bank of New York Trust Company, N.A., as trustee. 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 notes will rank equally with Sprint Nextel Corp.'s other indebtedness. Banc of America Securities LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are joint book-running managers. Interested parties may obtain a written prospectus from Banc of America Securities LLC, Prospectus Department, 100 West 33rd Street, 3rd Floor, New York, New York 10001, Citigroup Global Markets Inc., 388 Greenwich St., New York, NY 10013 and J.P. Morgan Securities Inc., 270 Park Ave., New York, NY 10017, Attention: High Grade Securities Desk.
>
> The net proceeds from the offering will be used for general corporate purposes, which may include funding the repayment of all or a portion of the 6.00 percent Senior Notes due Jan. 15, 2007, of Sprint Capital Corp., a wholly owned subsidiary, of which approximately $1.6 billion were outstanding as of Sept. 30, 2006. The sale of the debt securities is expected to close on Nov. 20, 2006.

56. On December 12, 2006, Sprint issued a press release naming CEO and President Forsee as the new Chairman of the Company, in a release which stated in part:

> Sprint Nextel Corp.'s Board of Directors today named President and Chief Executive Officer Gary D. Forsee to serve as the company's Chairman. Forsee replaces Tim Donahue, who retires as Executive Chairman at the end of this month.
>
> "As Sprint Nextel moves forward, we are pleased that Gary Forsee will now lead the board," said Irvine O. Hockaday, chairman of the Nominating and Corporate Governance Committee, and lead independent director. "Sprint Nextel has the assets, brands and strategic direction in place, and we are confident under Gary's leadership that the company's goals will be realized."

"On behalf of the entire board and all the employees we want to thank Tim Donahue for his invaluable and inspiring leadership, and we wish him well in his retirement," said Hockaday.

Forsee has served as president and chief executive officer of Sprint Nextel since the company's merger in August 2005, and before that served as CEO and chairman of Sprint, starting in March and May 2003, respectively. Forsee is a 34-year veteran of the telecommunications industry.

In addition, Sprint Nextel announced the appointment of Sprint Nextel board director Robert R. Bennett to chair the Finance Committee and serve on the Audit Committee.

57. On January 8, 2007, Sprint issued a press release entitled "Sprint Nextel Provides Update on Financial Outlook and Operating Performance," which stated:

Expects 2006 Results In Line with Prior Forecast;

Outlines Initiatives Designed to Improve Competitive Position;

Business Investments to Impact Near-Term Operating Results, Expected to Drive Long-Term Growth and Profitability

. . . Sprint Nextel Corp. announced today an update to its financial outlook and detailed its plans designed to improve operational performance and drive long-term shareholder value. The company will be hosting a conference call to discuss these plans with the investment community today beginning at 5 p.m. EST. The call will be open to the public, and details on how to access it are provided at the end of this release.

Current Performance

Based on preliminary data, Sprint Nextel expects to report full-year 2006 consolidated operating revenues of approximately $41.0 billion, while Adjusted Operating Income Before Depreciation and Amortization (adjusted OIBDA) continues to be projected in a range of $12.6 billion to $12.9 billion. Total capital expenditures are estimated to be $7.0 billion to $7.3 billion.

During the fourth quarter, Sprint Nextel added 742,000 total net subscribers and ended the period with a base of 53.1 million. The fourth quarter net additions include 876,000 from wholesale and affiliates, and 171,000 new Boost customers, which were offset by a decline of 306,000 post-paid subscribers. Post-paid performance in the quarter reflects solid gains in CDMA subscribers, offset by a decline in the iDEN base.

In the quarter, total post-paid gross additions were approximately 2.64 million. As expected, credit tightening actions initiated in the second half of the year impacted fourth-quarter customer growth. These actions improved the credit mix of acquisitions in the quarter. Fourth quarter post-paid churn modestly improved sequentially to 2.3 percent, and Boost Mobile churn improved to 6.5 percent. For the quarter, Sprint Nextel expects to report average revenues per customer above competitor levels, driven by steady voice usage and growth of wireless data on CDMA. The company also expects to report strong Wireline IP results.

"Sprint Nextel ended 2006 in a solid financial position," said Gary D. Forsee, the company's chairman and chief executive officer. "We expect our full-year projected financial results will be in line with our prior guidance, and ***we remain on or ahead of plan in integrating our pre-merger operations, systems and product and service line up***.

"While it was a challenging year, we initiated actions to improve our operating performance and enter 2007 with signs of progress underway," said Forsee. "There was solid demand for CDMA voice and data services in the fourth quarter, and we had a strong performance in our Mobile Virtual Network Operator (MVNO) channels. We are also pleased with the early customer acceptance of our enhanced device portfolio.

"As we indicated last year, issues related to the iDEN platform resulted in decreased demand for iDEN services and increased churn. We expect the widespread introduction of our first combined CDMA-iDEN phones and improvements in iDEN network performance to benefit push-to-talk subscriber trends.

"Our plans for the coming year build on the efforts we initiated in the second half of 2006. Sprint Nextel has substantial assets, including unparalleled spectrum ownership and network capabilities and a significant head start on providing converged services and fourth-generation wireless services. In the near term, a lower margin revenue mix, investment of an additional $1.1 billion in our business operations and start-up costs associated with the build-out of our fourth generation WiMAX wireless network will pressure profitability. We will continue to adjust our cost structure, which will include a workforce reduction, as we meet the changing demands of the business. Over the course of the year we expect to resume growth of the post-paid customer base and stabilize these revenues, improve post-paid churn to below two percent and achieve increasing merger synergies. We expect these actions to support a return to mid-single digit revenue growth and mid-to-high teen adjusted OIBDA growth in 2008, prior to dilutive impacts from the 4G initiative."

Initiatives to Enhance Competitive Position

Sprint Nextel initiated a series of actions in the latter half of 2006 designed to improve network performance, raise brand awareness, enhance customer satisfaction, stabilize average customer revenues, reduce churn and increase sales and distribution productivity. The company's 2007 plans build upon and enhance these actions.

Network Performance and Investment

- The company added more than 3,400 cell sites in 2006 to improve network performance and expand its mobile broadband services to

200 million people across the country. In the fourth quarter, Sprint Nextel enhanced it broadband capability by being the first U.S. carrier to deploy higher data speed CDMA EVDO Rev A service. It is now available in markets covering more than 75 million people.

– In the coming year, Sprint Nextel expects to further increase network coverage and capacity with the addition of approximately 4,800 new cell sites and to extend mobile broadband technology throughout its CDMA network.

– The company will increasingly focus its wireline efforts on fast-growing domestic and global IP-based services while de-emphasizing selected legacy voice and data products.

* * *

Improved Customer Satisfaction

– The company expects to complete the conversion of its entire customer base to a unified billing platform in 2007 from the multiple legacy platforms in place today.

– A new call center dedicated to serving Boost customers will be opened and the number of business and consumer centers will be expanded during the year.

– As part of its efforts to improve customer satisfaction, in the second half of 2006 business and consumer customer service operations were consolidated into one organization, allowing for greater efficiency in supporting the customer experience. New executives have been named to lead customer retention and customer operations activities.

* * *

Synergies

– In 2007 the company expects to complete the transition to unified customer care, financial systems, device activation, billing and service and technology platforms. The resulting efficiencies, along with other business simplification and process improvement initiatives will enable the company to further streamline its cost structure. As a result, the company will reduce its overall full-time headcount by approximately 5,000 from the 2006 year-end level of 64,600. Staff reductions are expected to be applied across the company with a majority of the reductions completed in the first quarter of the year. The company expects to achieve $1 billion in adjusted OIBDA benefit in 2007 from anticipated synergy attainment and incremental cost management initiatives.

– Sprint Nextel expects to incur a total of approximately $700 million in merger integration and severance costs in 2007 with the bulk of these costs coming in the first half of the year. The company remains on course to achieve the $14.5 billion of net present value of merger synergies.

2007 Financial Outlook

Sprint Nextel's initial assessment of key financial performance in 2007 includes:

– Consolidated operating revenues of $41 billion to $42 billion. In 2007, revenue growth from a larger subscriber base is expected to be offset by lower average revenue per subscriber and lower wireline revenues.

– Adjusted OIBDA of $11 billion to $11.5 billion, inclusive of approximately $300 million of start-up operating cost associated with WiMAX 4G broadband services.

– Capital expenditures of approximately $8.5 billion, consisting of $7.1 billion for core wireless networks and spectrum re-banding efforts, $600 million for wireline and up to $800 million for the company's WiMAX initiative.

– The company expects to continue with its previously announced share buy-back program. The company will vary the amount and timing of its common stock purchases from time to time as the program proceeds. Since the initiation of the program in August 2006, the company has repurchased 98 million shares for approximately $1.6 billion.

58. Upon this news, Sprint's stock declined from $19.64 per share to $17.45 per share on January 9, 2007, a one-day decline of 11% on heavy volume. Nonetheless, defendants continued making positive representations concerning the Company's turn around and Sprint's stock began to climb.

59. On February 28, 2007, Sprint reported its fourth quarter and full year 2006 financial results, in a release which stated in part:

Sprint Nextel Corp. today reported fourth quarter and full-year 2006 financial results. In the quarter, the company enhanced its product portfolio, aggressively expanded network coverage and capabilities, reported continued strong growth in wireless data and wireline IP revenue, and significantly increased investment in business operations to enhance future growth and profitability. The company also made significant strides on its planned fourth generation mobile broadband network.

For the quarter, diluted earnings per share (EPS) from continuing operations were 9 cents, compared to break-even in the fourth quarter of 2005. Adjusted EPS before Amortization was 29 cents in the most recent quarter, compared to 23 cents in the fourth quarter of 2005, an increase of 26%. The growth in earnings is due to higher contributions in both the Wireless and Long Distance segments.

For the full year, EPS from continuing operations was 34 cents compared to 40 cents for 2005. Full-year 2006 Adjusted EPS before Amortization was $1.18, compared to pro forma Adjusted EPS before Amortization of $1.05 for the full year 2005, a 12% increase.

Consolidated net operating revenues in the fourth quarter of 2006 were $10.4 billion, an increase of 7% compared to $9.8 billion in the fourth quarter of 2005. For the full year, total consolidated revenue of $41.0 billion increased 43% on a reported basis and 7% compared to pro forma 2005.

Consolidated adjusted OIBDA in the most recent quarter was $3.2 billion, an increase of 13% compared to the year-ago period. Full-year consolidated adjusted OIBDA was $12.7 billion, an increase of 12% compared to pro forma 2005 full year adjusted OIBDA of $11.3 billion. Consolidated adjusted OIBDA margin was 32.9% in the fourth quarter of 2006 versus 31.2% in the year-ago period and 33.6% for the full year, compared to 32.2% for pro forma 2005.

"In the fourth quarter, we increased funding of business operations and network investments. ***We are seeing early returns from these investments as we widen our lead in wireless data services on the CDMA platform and with the iDEN network now delivering substantially improved call quality metrics***," said Gary Forsee, Sprint Nextel Chairman and CEO. "The introduction of our PowerSource(TM) phones to bridge the two networks brings customers the industry's best push-to-talk, voice and data services.

"Although we achieved these improvements, we experienced uneven financial performance between our network platforms and within some of our key wireless metrics. We saw these trends in the 4th quarter:

- Data service revenues increased 66% compared to the year-ago period.

- Net subscriber growth on the CDMA platform was solid, with a total of more than 1.3 million net additions from post-paid, wholesale and affiliate subscribers.

- We reported a decline in iDEN post-paid subscribers.

- Boost Mobile reported a subscriber gain in the quarter.

- Customer retention rates improved sequentially.

- The credit mix of new subscribers was enhanced, but gross post-paid customer acquisitions declined.

- The postpaid Average Revenue Per User (ARPU) rate of decline again moderated.

- We added several devices to our product line-up, and initiated efforts for aggressive 2007 marketing of PowerSource phones.

- We made significant investments in branding, distribution and customer care.

"Additionally, we had solid performance in our Long Distance business, with a year-over-year increase in wireline Internet Protocol (IP) revenues of 32%.

"We have established a framework to bolster our business operations and drive future growth and profitability," noted Forsee. "Our efforts in 2007 will be centered on improving subscriber acquisition and retention, extending our lead in data services, fully capturing cost efficiencies and developing an innovative high-speed data network that will provide significant differentiation and cost advantages."

* * *

The following is a discussion of our Wireless results.

Subscribers

– In the quarter, Wireless added a total of 742,000 subscribers.

  – Postpaid subscribers declined by 306,000 in the quarter, reflecting a gain in CDMA subscribers, offset by a decline of iDEN subscribers;

  – Boost pre-paid subscribers increased 171,000;

  – Wholesale channels added 830,000 subscribers; and

  – Affiliates added 46,000 subscribers.

– Sprint Nextel ended 2006 with a total of 53.1 million subscribers, compared to 47.6 million at the end of 2005. The detailed breakdown of the year-end subscriber count includes:

  – Approximately 41.8 million post-paid subscribers, consisting of 24.2 million on the CDMA platform and 17.6 million on the iDEN platform;

  – 4.0 million Boost pre-paid subscribers;

– 6.4 million wholesale subscribers; and

– 900,000 affiliate subscribers.

Churn

– Post-paid churn in the quarter was 2.3% compared to 2.4% in the third quarter, and 2.1% in the fourth quarter a year-ago. The increase from the year-ago period is due to higher churn among iDEN subscribers. The sequential improvement is due to lower churn within the CDMA base offset by higher churn in former Nextel Partners markets.

– Pre-paid churn in the quarter was 6.5% compared to 6.8% in the third quarter, and 4.8% a year ago.

Revenues/ARPU

– Total operating revenues increased 9%, compared to the fourth quarter of 2005. Service revenues increased 11% due to acquisitions and a larger direct customer base, offset by a decline in post-paid and pre-paid ARPU. Wireless had strong wholesale growth due to the larger MVNO customer base. Equipment revenues declined 5% compared to the year-ago period due to lower post-paid gross additions partially offset by higher customer upgrades.

– Post-paid ARPU in the quarter was a little over $60, reflecting a 1% sequential decline and a less than 5% decline from the year-ago period. Post-paid ARPU continues to be impacted by lower voice revenues, which are being partially offset by growth in data revenues. Sequentially, CDMA ARPU was flat at $59, while iDEN ARPU declined 2% to $62. Compared to the year-ago period, CDMA ARPU was down 1%, while iDEN ARPU declined 8%.

* * *

Forward-Looking Guidance

Sprint Nextel is reiterating 2007 guidance it initially provided on January 8 for the following items:

– Full year consolidated operating revenues of $41 billion to $42 billion.

– Adjusted OIBDA of $11.0 billion to $11.5 billion.

– The company expects to continue with its previously announced share buy-back program. The company will vary the amount and

> timing of its common stock purchases from time to time as the program proceeds.
>
> Reflecting accelerated fourth quarter Wireless network deployments, the company is revising its target capital expenditures for 2007 to approximately $8.0 billion from previous guidance of $8.5 billion. In 2007, the company expects to invest approximately $600 million in Long Distance and up to $800 million on its WiMAX initiative. Sprint Nextel expects to invest approximately $5.8 billion on Wireless capital in 2007, inclusive of network investments associated with re-banding. In addition, the company estimates that it could spend up to $800 million on intangible costs associated with re-banding which will largely be dependent upon the timing of user relocations.

(Footnotes omitted.)

60. On May 2, 2007, Sprint issued its financial results for the first quarter of 2007, in a release which stated in part:

> Sprint Nextel Corp. today reported first quarter 2007 financial results. ***In the quarter, the company added nearly 600,000 net new subscribers, expanded network coverage and capabilities and significantly increased investments in business operations***. The company reported strong demand for wireless data services and wireline IP services and achieved a fast start for its PowerSource(TM) handset offering that combines the best push-to-talk, voice and data capabilities on one device. The company also substantially completed a major headcount reduction, continued to build momentum on its planned fourth generation wireless data offering and launched a market trial for a Boost Mobile unlimited local calling plan.
>
> In the first quarter of 2007, diluted earnings per share (EPS) from continuing operations were a loss of 7 cents, compared to income of 5 cents in the first quarter of 2006. Adjusted EPS before Amortization was 18 cents compared to 26 cents in the year-ago period. The lower earnings in the quarter are due to reduced contributions from operations and lower non-operating income, partially offset by fewer common shares outstanding.
>
> Consolidated net operating revenues of $10.1 billion in the first quarter were modestly above revenues in the year-ago period. Reflecting increased operating expenses, consolidated adjusted OIBDA of $2.6 billion declined 12% from the first quarter of 2006. First quarter capital expenditures were $1.6 billion and free cash flow was approximately $500 million.
>
> "Our plans in 2007 call for a substantial increase in the funding of business operations to build long term growth and profitability," said Gary Forsee, Sprint Nextel chairman and CEO. "We established a quick ramp on these investments in the first quarter to accelerate our progress. These increased commitments, along with notably higher device subsidies to drive acquisition and retention, impacted our

profitability in the quarter. However, we are seeing some positive tradeoffs in the form of enhanced competitiveness. Examples include:

– Double-digit annual growth in prime credit post-paid acquisitions;

– Continuing improvements in the customer experience;

– Good progress in integrating our disparate network users through new PowerSource devices and transitioning to a single billing and service delivery platform;

– Stronger key brand recognition metrics as a result of an increase in year-over-year advertising spend, and further enhancement of our marketing potential with the announcement of a new advertising agency;

– iDEN and CDMA networks now performing at their "best ever" levels; and

– Great strides in planning for next generation capabilities, including announcing the market launch schedule for our WiMAX broadband wireless data services.

"In the quarter, we had solid performance in our CDMA post-paid business, including sequential growth in both gross and net additions and improved customer churn," said Forsee. "We also achieved a stronger Boost Mobile customer gain, continued growth in MVNO channels and good velocity with PowerSource sales. Together, these four lines of business generated 1.3 million net additions during the first quarter. However, these gains were partially offset by a decline in the iDEN post-paid subscriber base reflecting prior network constraints, which have since been largely mitigated.

"Overall post-paid subscriber retention rates again trended slightly positive in the quarter, and reported net add performance was ahead of expectations. In the quarter, 44% year-over-year growth in wireless data services continued to partially offset voice revenue declines. In the Wireline segment, we reported 28% growth in IP services year-over-year, and increased the number of cable telephony customers we serve by more than 200,000 during the quarter. Over the course of the year, we expect to achieve improving profitability in consolidated results, consistent with our previously announced annual guidance," Forsee said.

* * *

The following is a discussion of our Wireless results.

Subscribers

– In the quarter, Wireless added nearly 600,000 subscribers and ended the quarter with a total subscriber base of 53.6 million, a 10 percent increase from the year-ago period.

  – Post-paid subscribers declined by 220,000, reflecting a gain in CDMA and PowerSource subscribers, offset by a decline in iDEN subscribers.

  – At the end of the quarter, the company served 41.6 million post-paid subscribers, including 24.7 million on CDMA, 16.5 million on iDEN and 400,000 PowerSource users who access both platforms.

* * *

Churn

– Post-paid churn for the quarter was 2.3%, compared to a little over 2.3% in the fourth quarter 2006 and 2.1% in the year-ago first quarter. In the quarter, CDMA churn improved sequentially and year-over-year. The iDEN post-paid churn rate increased in the quarter, although total deactivations were modestly lower sequentially. Churn within the former Nextel Partners base improved from the fourth quarter but remained significantly above core iDEN levels.

– Boost Mobile prepaid churn was 7.0% for the quarter compared to 6.5% in the fourth quarter 2006 and 5.4% in the first quarter of 2006. Boost Mobile churn was partially impacted by actions to remove inactive subscribers.

Revenues/ARPU

– Net operating revenues increased 2% compared to the year-ago period. This was due to a 4% increase in direct service revenues and a 29% increase in wholesale and affiliate revenues, partially offset by a 22% decline in equipment revenues. The lower equipment revenues are due to lower gross additions and more competitive pricing. Compared to the year-ago period, prime credit gross additions increased 14%, while sub-prime declined more than 30%. Sequentially, post-paid gross additions were flat and prepaid gross additions increased. Total revenues declined 3% sequentially due to a lower post-paid average revenue per user, or ARPU, and a decline in equipment revenues associated with more aggressive acquisition and retention handset pricing.

– Post-paid ARPU in the quarter was a little more than $59, a decline of slightly less than 5% from the year-ago period and a decline of a little under 2% sequentially. In the quarter, lower voice contributions to

ARPU were partially offset by increased data contributions. CDMA ARPU declined 1% from the year-ago period while iDEN ARPU declined 9%.

* * *

Forward-Looking Guidance

Sprint Nextel is reiterating 2007 guidance as follows:

– Full year consolidated operating revenues of $41 to $42 billion.

– Adjusted OIBDA of $11.0 to $11.5 billion.

– Capital spending of approximately $7.2 billion and an investment of up to $800 million for intangible costs associated with re-banding iDEN spectrum.

The company expects to continue with its program of buying back shares of its common stock over the course of the year. The company will vary the amount and timing of these purchases from time to time as the program proceeds.

(Footnotes omitted.)

61. On August 8, 2007, Sprint issued its financial results for the second quarter of 2007, in a release which stated in part:

Sprint Nextel Corp. today reported second quarter 2007 financial results. In the quarter, the company reported a strong sequential improvement in post-paid net additions and profitability. The company experienced continued strong demand for wireless data services and wireline IP services and growth of the base of PowerSource(TM) subscribers. Sprint Nextel also continues to build momentum around its planned WiMAX offering and to achieve key milestones in the development of high-performance push-to-talk services to be delivered on its CDMA network.

* * *

Post-paid net additions increased more than 235,000 from the first quarter and were a positive 16,000 for the quarter. In the quarter, Sprint Nextel experienced strong post-paid demand on the CDMA platform. These gains were offset by lower demand for iDEN post-paid services. MVNO partners reported solid growth in what has typically been a seasonally weak quarter. At the end of the period, the company had enrollments of approximately 100,000 subscribers for the trial of the Boost Mobile unlimited local calling plan. These subscribers are reflected in the pre-paid subscriber category.

"A year ago, and again in January of this year, we highlighted areas for improvement in our core operations and outlined investments we would be making to address these areas. These investments are focused on improving iDEN network performance, increasing customer retention, enhancing our brand image and reinvigorating our third-party channels," said Gary Forsee, Sprint Nextel chairman and CEO. ***"In the second quarter, Sprint began to realize benefits from our increased funding of business operations. We reported a double-digit gain in subscriber acquisitions in our business channels. We met our goal of reducing churn to 2.0%, and network performance continued to improve. Industry-leading average post-paid customer revenues of $60 in the quarter and staffing actions in the first quarter supported a strong sequential improvement in adjusted OIBDA.***

"Overall we are pleased with the second quarter progress under highly competitive market conditions, and we are reiterating our 2007 targets for revenues, adjusted OIBDA and capital spending," Forsee said. "Our focus remains on closing churn and customer care gaps, building on our recently-launched Sprint Ahead marketing campaign, and extending the EVDO footprint to meet strong demand for wireless data services. We will also continue to have significant resources assigned to the consolidation of many of our major systems, migrating customers from iDEN to CDMA utilizing PowerSource devices, preparing for the deployment of high-performance push-to-talk on our CDMA network, and cementing our plans for WiMAX deployment. While these initiatives are expected to impact reported results in the near term, we expect they will produce significant value over the long term."

* * *

The following is a discussion of Consolidated results.

- Revenues in the quarter reflect growth in Wireless and a stable contribution from Wireline.

- The decline in adjusted OIBDA versus one year ago was due to lower contributions from both Wireless and Wireline, and expenses associated with WiMAX.

- Consolidated results include operating expenses of approximately $48 million and capital investments of $51 million for the WiMAX initiative.

- Merger and integration expenses in the quarter totaled $163 million. Starting in the second quarter, year-to-date incremental expenses associated with PowerSource devices are included in merger and integration expenses.

* * *

- During the quarter, the company issued $750 million of new floating rate notes. The proceeds were used to fund the retirement of higher cost debt in July.

- In the second quarter, Sprint Nextel acquired approximately $1.1 billion of its common stock through open market purchases. At the end of the second quarter, cumulative stock buybacks were approximately $3.0 billion under an approved plan that authorizes total purchases of up to $6.0 billion through the first quarter of 2008.

* * *

The following is a discussion of our Wireless results.

Subscribers

- In the quarter, Wireless added nearly 400,000 subscribers and ended the period with a total subscriber base of 54 million, a 5 percent increase from a year ago.

- Post-paid subscribers increased by 16,000, reflecting a gain in CDMA subscribers, offset by a decline in iDEN subscribers.

- At the end of the quarter, the company served 41.6 million post-paid subscribers, including 25.3 million on CDMA, 15.5 million on iDEN and 850,000 PowerSource users who access both platforms.

* * *

Churn

- Post-paid churn for the quarter was a little more than 2.0%, compared to 2.3% in the first quarter 2007 and a little more than 2.1% in the year-ago second quarter. The company deferred the previously planned second quarter implementation of certain changes to its churn calculations until the beginning of the third quarter. These changes would have reduced second quarter reported churn by approximately 10 basis points. In the quarter, voluntary churn improved sequentially on both network platforms and involuntary churn was also lower, partially due to seasonal factors.

- Boost Mobile prepaid churn was 6.8% for the quarter compared to 7.0% in the first quarter of 2007 and 6.0% in the second quarter of 2006.

Revenues/ARPU

- Net operating revenues increased 3% compared to the year-ago period. This was due to a 4% increase in direct service revenues and a 33% increase in wholesale and affiliate revenues, partially offset by a 15% decline in equipment revenues. Direct service revenue growth was due to an increased subscriber base offset by lower average subscriber revenue. The lower equipment revenues are the result of lower gross additions and more competitive pricing, offset by higher customer upgrades.

- Total revenues increased 1% sequentially due to a higher post-paid ARPU and increased wholesale revenues offset by a decline in equipment revenues. Sequentially, gross additions declined.

- Post-paid ARPU in the quarter was a little more than $60, an annual decline of slightly more than 2%. This is an improvement from the 5% annual rate of decline in the first quarter. CDMA ARPU increased from the year-ago period while iDEN ARPU declined. Post-paid ARPU increased 1% sequentially, partially due to seasonality. On a sequential basis, CDMA ARPU increased while iDEN ARPU was flat.

(Footnotes omitted.)

62. On October 8, 2007, Sprint issued a press release announcing that Forsee was stepping down as Chairman and CEO of the Company, which stated in part:

> Sprint Nextel announced today that Gary Forsee is stepping down as the company's chairman, president and chief executive officer (CEO), effective immediately. A committee of the Sprint Nextel Board of Directors has been formed and is conducting the search for a new CEO.
>
> James Hance, Jr., a member of the Board of Directors, will assume the role of acting non-executive chairman of the Board. Paul Saleh, current chief financial officer of Sprint Nextel, will serve as acting CEO until a permanent replacement for Forsee is named. With Hance serving in the position of non-executive chairman, the position of lead independent director, held by Irvine Hockaday, will be combined with that role. Hockaday will remain a member of the Board.
>
> "On behalf of the entire board and the Sprint Nextel employees, we want to thank Gary for his dedication and leadership and all of the contributions he has made since becoming chief executive of Sprint in 2003," said Hockaday.
>
> According to Hockaday, the decision to seek a new CEO was based on the Board's belief that it is the right time to put in place new leadership to move the company forward in improving its performance and realizing corporate objectives.

"The Board's search for selecting its next chief executive will focus on candidates outside the company," said Hockaday. "We fully expect that the search will be concluded in a timely manner and we are focused on selecting the right candidate to guide the company to achieve its full potential. Sprint Nextel has the assets, spectrum, customer base and technology to be the leader in wireless mobility services."

Updated Operational Metrics and Financial Guidance

The company announced today that it expects to report a net loss of approximately 337,000 post-paid subscribers in the third quarter. In addition, both adjusted OIBDA and consolidated operating revenue for 2007 are expected to be slightly below the range of previously provided guidance of $11.0 to $11.5 billion of adjusted OIBDA and $41 to $42 billion of consolidated operating revenue.

63. On November 1, 2007, Sprint reported its financial results for the third quarter of 2007, in a release which stated in part:

Sprint Nextel Corp. today reported third quarter 2007 financial results. Consolidated net operating revenues in the quarter were $10 billion compared to $10.5 billion in the year-ago third quarter. Net income in the quarter was $64 million or 2 cents diluted earnings per share, which compares to $279 million or 9 cents diluted earnings per share (EPS) in the year-ago period. Adjusted EPS before Amortization, which removes the effects of special items and merger-related amortization costs, was 23 cents in the quarter compared to 32 cents in this quarter of 2006. The decline in earnings is due to a lower contribution from Wireless, partially offset by an improved contribution from Wireline.

The company reported a net decline of 60,000 total wireless subscribers in the third quarter. Overall subscriber results include growth from CDMA post-paid, Boost Unlimited, wholesale and affiliate channels. These gains were offset by declines from iDEN post-paid and traditional Boost pre-paid product lines. In the quarter, post-paid churn was 2.3% on seasonally higher involuntary deactivations and competitive market conditions. The Wireless post-paid ARPU of a little more than $59 in the quarter continues to be supported by data growth, offset by lower voice contributions.

"Our third quarter results reflect mixed performance as we address competitive market conditions and manage through credit market impacts on a portion of our customer base," said Paul Saleh, acting CEO and chief financial officer of Sprint Nextel. "In the quarter, our Sprint Ahead marketing campaign gained traction, we improved our device portfolio, and we continued to achieve best-ever network performance. Going forward, our clear mandate is to improve the customer experience at every touchpoint and simplify our business. We also plan to focus more resources on customer retention," Saleh said.

* * *

The following is a discussion of consolidated results:

- The decline in revenues is due to a lower Wireless contribution.

- Adjusted operating income benefited from lower amortization expense and reduced variable compensation.

- Special items in the quarter diluted reported GAAP earnings by 5 cents per share. These items included pre-tax charges of $135 million for merger and integration costs and $125 million for severance, exit costs and asset impairment. Special item details are discussed in the Notes to Financial Data.

- Capital expenditures were lower in the quarter, due to a draw down of inventory and project timing. Capital expenditures are expected to be higher in the fourth quarter, but full-year capital is expected to be below prior guidance.

- Consolidated results include operating expenses of approximately $31 million and capital investments of $73 million related to the company's WiMAX initiative.

- In the quarter, the company purchased approximately 21 million shares of its common stock in the open market for a total investment of $432 million. Purchases in the quarter were predominately in July and August, and the company has since taken a conservative approach, reflecting recent capital market and macroeconomic conditions. The company has purchased a cumulative total of 185 million shares of its common stock for $3.5 billion under a $6 billion authorization that is set to expire in the first quarter of 2008.

* * *

The following is a discussion of Wireless results:

Subscribers

- Wireless ended the period with nearly 54 million total subscribers, compared to 51.9 million subscribers at the end of the third quarter of 2006. The growth is due to gains in pre-paid and wholesale offset by a decline in post-paid.

- At the end of the period, Sprint Nextel was serving approximately 34.1 million customers on CDMA, 18.7 million on iDEN, and 1.2 million PowerSource users who access both network platforms.

- As a result of the acquisition of Northern PCS, 170,000 post-paid subscribers were transferred from affiliates to the direct post-paid subscriber base. This transaction did not impact post-paid net adds or churn in the quarter.

- Beginning in the third quarter, the company adopted a gross addition and deactivation methodology which reduced reported churn by 10 basis points and reduced reported gross additions by a corresponding amount. The change had no effect on reported net additions, revenues or profits and is not reflected in prior period results.

- Excluding the impact of acquisitions, direct net post- paid subscribers declined by 337,000 in the quarter. Growth in CDMA and PowerSource users was offset by a net loss in iDEN subscribers. Approximately 40% of the net subscriber loss in the quarter occurred within the former Nextel Partners territories.

- Compared to the second quarter, the loss of net post-paid subscribers reflects higher customer churn, partially offset by an increase in gross additions in both the consumer and business channels.

* * *

Churn

- Post-paid churn for the quarter was 2.3% compared to 2.0% in the second quarter and 2.4% in the year-ago period. In the third quarter, the sequential increase in overall churn was driven equally by higher voluntary and involuntary deactivations, primarily on the CDMA platform. The CDMA post-paid churn rate remained below iDEN churn in the quarter.

- Boost pre-paid churn was 6.2% for the quarter, compared to 6.8% in both the second quarter of 2007 and in the year-ago third quarter.

Revenues/ARPU

- Net operating revenues declined 1% sequentially and 4% compared to the year-ago period. Service revenue declines reflect lower average customer revenues and a lower post-paid base, partially offset by increases in the pre-paid and wholesale subscriber base. Equipment revenues declined 21% compared to the year-ago period due to lower pricing. Equipment revenues increased 8% sequentially due to increased pricing and volumes.

- Post-paid ARPU of a little more than $59 in the quarter declined 3% year-over-year and a little under 2% sequentially. The company reported modest annual growth in CDMA ARPU that was offset by a decline in iDEN. Sequentially, ARPU declined on both platforms, mainly due to lower average pricing plans. In the quarter, post-paid ARPU for CDMA and iDEN subscribers were substantially similar.

* * *

Capital Spending

In the quarter, Wireless capital spending of $813 million was mainly targeted at capacity and footprint and extending the reach of EV-DO Rev. A capability. Wireless capital spending is expected to increase significantly in the fourth quarter.

* * *

Forward-Looking Guidance

Sprint Nextel continues to expect full-year consolidated revenues to be slightly below $41 billion and Adjusted OIBDA to be slightly below $11 billion. The company expects net customer additions to continue to be pressured in the fourth quarter. Full-year 2007 capital investments are now expected to be in the mid $6 billion range compared to prior expectations of approximately $7.2 billion. The company also noted that it is removing its previous double-digit growth guidance for 2008 OIBDA, and that it expects to comment on the 2008 outlook early next year.

(Footnotes omitted.)

64. On December 18, 2007, Sprint announced Daniel R. Hesse was named the Company's new President and CEO, replacing Forsee, who stepped down from Sprint on October 8, 2007.

65. On January 18, 2008, Sprint issued a press release entitled "Sprint Nextel Reports Fourth-Quarter Subscriber Results, Announces Actions to Streamline Operations," which stated in part:

Sprint Nextel Corp. today reported wireless subscriber results for the fourth quarter of 2007, announced initial plans to streamline its business as part of an ongoing review of its operations and market approach, and provided an update on its annual assessment of the goodwill recorded on its financial statements.

For the fourth quarter Sprint Nextel reported a net gain of 500,000 subscribers through wholesale channels, growth of 256,000 Boost Unlimited users and net additions of 20,000 subscribers within affiliate channels. These gains were offset by net losses of 683,000 post-paid subscribers and 202,000 traditional pre-paid users.

In the fourth quarter, post-paid churn was 2.3 percent. Compared to the third quarter, improved voluntary churn in both the CDMA and iDEN customer bases was offset by higher involuntary churn. At the end of 2007, Sprint Nextel served a total subscriber base of 53.8 million subscribers including 40.8 million post-paid, 4.1 million traditional pre-paid, 500,000 Boost Unlimited, 7.7 million wholesale and 850,000 subscribers through affiliates.

Anticipating continued downward pressure on subscriber trends, revenues, and profitability in 2008, Sprint Nextel also announced initial plans to streamline the business in coming months. These plans call for job reductions across the company including approximately 4,000 internal positions and reduced utilization of outsourced services and contractors. The company also expects to eliminate more than 4,000 third-party distribution points and to close approximately 125, or 8 percent, of its company-owned retail locations. The company has approximately 20,000 total distribution points, including nearly 1,400 company-owned retail locations.

Sprint Nextel currently expects these actions to reduce its internal and external labor costs by an annualized rate of $700-$800 million by the end of 2008. The employee headcount reductions are expected to be completed in the first half of the year and will include management and non-management positions throughout the company. The company will offer a voluntary separation plan for its employees, and displaced employees will receive separation pay and outplacement and other services. The company expects to record a first-quarter charge for severance costs associated with the workforce reduction.

Sprint Nextel is currently performing its annual assessment of the goodwill recorded on its financial statements and expects to conclude this process prior to the release of its fourth-quarter earnings report. Given current market conditions, particularly the recent decrease in the company's stock price, Sprint Nextel could determine that it will record a non-cash impairment charge related to goodwill in the fourth quarter 2007. Any such charge would have no affect on either the company's current cash balance or future cash flows.

66. After this partial disclosure, Sprint's stock fell sharply $2.87 per share to close at $8.70 per share, a one-day decline of 25% on volume of 230 million shares, over 11 times the average three-month volume.

67. As the truth about the Company's operations came out, the news negatively impacted Sprint's credit ratings.

68. On January 18, 2008, Fitch lowered Sprint's credit ratings on its long-term debt to junk status and its ratings on its short-term debt to what is considered "fair" credit quality from "good" credit quality. Fitch further placed Sprint on rating watch negative, meaning it could be lowered even further.

69. Likewise, on January 22, 2008, S&P lowered Sprint's corporate debt rating to one level above non-investment grade status or "junk" status.

70. On February 28, 2008, before the market opened, the Company reported its fourth quarter and full year 2007 financial results, in a release which stated in part:

> Sprint Nextel Corp. today reported fourth quarter and full-year 2007 financial results. Consolidated net operating revenues in the quarter were $9.8 billion, compared to $10.4 billion in the fourth quarter of 2006. Full-year 2007 revenues were $40.1 billion versus $41.0 billion in 2006. ***In the quarter, the company recorded a non-cash goodwill impairment charge of $29.7 billion. The net loss for the quarter was $29.5 billion or $10.36 diluted loss per share compared to net income of $261 million or 9 cents diluted earnings per share in the fourth quarter a year ago***.
>
> After adjusting for the goodwill impairment charge, as well as the effects of other special items and merger-related amortization costs, Adjusted EPS before Amortization was 21 cents in the fourth quarter of 2007, compared to 29 cents in the fourth quarter of 2006. The decline in earnings is due to a reduced contribution from Wireless, partially offset by an improved contribution from Wireline, an investment gain and an income tax benefit in the fourth quarter of 2007.
>
> As previously reported, wireless subscribers declined 108,000 in the fourth quarter, due to gains in wholesale and Boost Unlimited subscribers offset by decreases in iDEN post-paid and traditional Boost pre-paid users. For the quarter, post-paid churn was 2.3%, matching the third quarter of 2007 and the fourth quarter of 2006. Wireless post-paid ARPU in the quarter was a little more than $58, a 1% sequential decline and a 4% decrease compared to the fourth quarter of 2006. ARPU continues to be pressured by lower voice contributions, partially offset by growth in data services.
>
> "The fourth quarter financial results reflect the challenges facing our Wireless business," said Dan Hesse, Sprint Nextel CEO. "We are making significant changes across the organization in an effort to improve execution, stabilize our customer base and deliver on the opportunity provided by our assets. Given current deteriorating business conditions, which are more difficult than what I had expected to encounter, these changes will take time to produce improved operating performance, and our near-term subscriber and financial results will continue to be pressured. Additionally, in light of current capital market conditions, we are taking steps to increase our

financial flexibility and mitigate refinancing risk by borrowing funds from a revolving credit facility and discontinuing declaring a dividend for the foreseeable future.

"Internally, we have rolled out a unified company culture focused on accountability and on providing a superior customer experience. We plan to share some of our initiatives for improving the customer experience and operations next quarter. Strategic assessments and changes may take longer to complete," Hesse said.

* * *

The following is a discussion of consolidated results:

- Lower revenues in the quarter are principally due to a decline in Wireless contribution.

- In the quarter, net special items reduced reported GAAP losses by $10.42 per share. In addition to the goodwill impairment charge, special items include pre-tax charges of $119 million for merger and integration costs related to the Sprint-Nextel merger and associated acquisitions, $56 million for severance, exit costs and asset impairments, pre-tax gains of $44 million from litigation and insurance settlements, and $60 million from an investment. Special items are detailed in the Notes to Financial Data.

* * *

- On Feb. 27, 2008, Sprint Nextel borrowed $2.5 billion in principal amount under its revolving credit facility. The company has no immediate need for additional liquidity, but in light of current market conditions borrowed the funds to provide greater financial flexibility and to mitigate any potential financing risk related to $1.25 billion in bonds that mature in November 2008, as well as the approximately $400 million outstanding under our commercial paper program, and $600 million of bonds that mature in May, 2009. The company has no other material refinancing scheduled until 2010. About $500 million of borrowing capacity remains available under the revolving credit facility.

- Sprint Nextel's Board of Directors has determined that the company will not declare a dividend for the foreseeable future, in an effort to retain greater financial flexibility.

- The company did not make any purchases under its $6 billion stock buyback authorization in the fourth quarter of 2007 or in the first quarter of 2008. This authorization expired in January 2008.

* * *

The following is a discussion of Wireless results.

Subscribers

- Wireless had 53.8 million total subscribers at the end of 2007. This compares with 53.1 million subscribers at the end of 2006. The net growth of 700,000 subscribers for the year reflects a gain of 1.9 million subscribers in prepaid and wholesale segments, offset by a net decline of 1.2 million in direct and affiliate post-paid subscribers.

- At the end of the fourth quarter, Sprint Nextel served a little more than 35 million subscribers on the CDMA platform, 17.3 million on iDEN and 1.4 million PowerSource subscribers who access both platforms.

- The year-end subscriber base consists of approximately 76% post-paid users, 9% prepaid, and 15% in wholesale and affiliates.

- In the fourth quarter, total post-paid subscribers declined 683,000 due to a loss of iDEN users. In the third quarter of 2007, post-paid subscribers declined by 337,000. The increased loss of post-paid subscribers in the fourth quarter reflects lower gross additions, partially offset by fewer deactivations.

* * *

Churn

- Overall, post-paid churn was 2.3% in the quarter.

- In the fourth quarter, the post-paid churn rate was flat with the third quarter for both the iDEN and CDMA bases.

- Boost pre-paid churn was 7.5% compared to 6.2% in the third quarter of 2007 and 6.5% in the fourth quarter of 2006.

Revenues/ARPU

- Net operating revenues declined 2% sequentially and 6% compared to the fourth quarter of 2006. Service revenues declined 3% sequentially and 5% year-over-year due to lower average revenue per customer and a smaller base of post-paid customers. Equipment revenues declined 15% compared to the year-ago period, but were up 2% sequentially. The annual decline reflects more aggressive market pricing and increased sales of lower-priced handsets. The sequential increase is due to higher average priced handset sales.

- Post-paid ARPU was a little more than $58 in the quarter, compared to $59 in the third quarter and a little more than $60 in the fourth quarter of 2006. CDMA post-paid ARPU decreased a little under 1% from both the year-ago period and sequentially. iDEN post-paid ARPU was 7% below the prior year and declined 3% sequentially. The post-paid ARPU decline reflects lower voice revenues, partially offset by increased data revenues.

71. On February 28, 2008, Sprint's stock collapsed $0.86 per share to close at $8.09 per share, a one-day decline of 10% on volume of 126 million shares, over four times the average three-month volume.

72. On February 28, 2008, Fitch again lowered Sprint's credit ratings on both its long-term and short-term debt. Fitch further announced that it was keeping Sprint on rating watch negative.

73. Thereafter on February 29, 2008, S&P placed Sprint's rating on a watch list for another possible downgrade. According to S&P, "[t]he erosion in Sprint Nextel's subscriber base and the resultant decline in EBITDA are substantially higher than we anticipated and the company's business profile is probably no longer supportive of an investment-grade rating."

74. On May 1, 2008, S&P again cut Sprint's credit rating to junk status.

75. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company's CDMA business was not as healthy as represented. Sprint had not actually tightened its credit standards for its CDMA business in October 2006, but rather did the exact opposite and loosened its standards for new subscribers in late 2006 and early 2007 in certain of its markets. This loosening led to an increase in subprime subscribers which allowed the Company to post gains in net additions for the CDMA business in early 2007 and made it appear as if its ARPU was stabilizing. Nonetheless, these moves were only short-term gains at the expense of long-term growth and churn rate reduction.

(b) The Company would be unable to complete its migration of its entire customer base to a uniform billing platform by 2007 from the multiple legacy platforms, thus continuing to cause customer service problems and having a negative effect on the Company's voluntary churn rate. As of year-end 2007, 30% of Sprint's postpaid subscribers would still need to be moved over to the new platform in 2008;

(c) The Company had not taken the proper steps to address its customer service issues. For example, the Company did not focus on first call resolution despite its assurances otherwise, as it had not changed its policy regarding time limits on customer service calls. At the end of 2007, Sprint's rate of resolving customer problems on the first call stood at 53%. By comparison, T-Mobile, one of Sprint's competitors, had a rate of 71%, despite the fact that Sprint had three times as many care specialists. Accordingly, customer service remained a disaster and the Company's major problem in maintaining its subscriber base, and, as a result, voluntary churn would remain under pressure.

(d) The Company failed to disclose known trends and uncertainties as required by SEC regulations concerning the loosening of its credit standards for its CDMA network and its failure to take the proper steps to address customer service issues, which would have a negative effect on the Company's operations in the future;

(e) The Company was not adequately reserving for its impaired goodwill associated with Nextel in violation of GAAP, causing its financial results to be materially misstated;

(f) The Company was not adequately reserving for its allowance for bad debts related to subprime subscribers in violation of GAAP, causing its financial results to be materially misstated;

(g) The Company had far greater exposure to liquidity concerns and ratings downgrades than it had previously disclosed;

(h) The Company was failing to integrate the CDMA network and the iDEN network. By 2008, two and a half years after the merger, the Company had consolidated fewer than 10% of the cell sites needed to run both networks; and

(i) Given the increased volatility in the subprime market, the intense competition in the wireless industry and the problems facing Sprint due to its failure to integrate legacy Sprint and legacy Nextel operations, the Company had no reasonable basis to make projections about its ability to maintain and grow its subscriber base, its ability to decrease and then maintain its churn rate to a level of 2% by year-end 2007, its ability to recognize $14.5 billion in merger synergies and its ability to deliver two to three million hybrid dual-mode phones into the market by year-end 2007. As a result, the Company's projections issued during the Class Period about its earnings for 2007 and 2008 were at a minimum reckless.

76. As a result of defendants' false statements, Sprint's stock traded at inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 65% from their Class Period high.

SPRINT'S FALSE FINANCIAL REPORTING DURING THE CLASS PERIOD

77. In order to inflate the price of Sprint's stock, defendants caused the Company to falsely report its results during the Class Period by failing to timely write down impaired goodwill associated with its merger with Nextel, which materially overstated the Company's reported net income and assets.

78. Sprint included its false financial statements and results in press releases and in its SEC filings. The SEC filings represented that the financial information presented therein was a fair statement of Sprint's financial results and that the results were prepared in accordance with GAAP.

79. These representations were false and misleading as to the financial information reported, as such financial information was not prepared in conformity with GAAP, nor was the financial information a "fair representation" of Sprint's financial condition and operations, causing the financial results to be presented in violation of GAAP and SEC rules.

80. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. SEC Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate, despite footnote or other disclosure. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. §210.10-01(a).

81. An asset by definition is an item that will likely provide a company with a future economic benefit as a result of past transactions or events (*i.e.*, an item of economic value). FASB Statement of Concepts No. 6, ¶¶25-31. GAAP, as set forth in SFAS No. 142, requires that companies review their goodwill and intangible assets to determine if the assets are impaired. SFAS No. 142, ¶¶15, 17, 19-29. Intangible assets shall be tested annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. SFAS No. 142, ¶¶15 and 17.

82. Intangible assets make up a vast majority of Sprint's total assets. For the year ending 2006, 61.8% of the Company's total assets were intangible assets with 31.8% of its assets being classified as goodwill. A large portion of the goodwill was associated with the purchase of Nextel and Nextel Partners. Despite the serious problems with the Company and the serious continued erosion in the Company's core operations both prior to and during the Class Period, Sprint failed to timely write down its goodwill.

83. Ultimately, on February 28, 2008, the Company announced that almost all of its $30.7 billion in goodwill was impaired and that it had taken a charge of $29.7 billion for fourth quarter 2007. This one charge not only represented one of the worst quarterly losses in Company history, but also resulted in a drastic reduction in the Company's total assets – Sprint's assets were reduced by 32% due to this charge.

84. Due to these accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including the following fundamental accounting principles:

(a) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements was violated (APB No. 28, ¶10);

(b) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions was violated (FASB Statement of Concepts No. 1, ¶34);

(c) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events and circumstances that change resources and claims to those resources was violated (FASB Statement of Concepts No. 1, ¶40);

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, ¶50);

(e) The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, ¶42);

(f) The principle that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant is a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶¶58-59);

(g) The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

(h) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶95, 97).

85. Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

LOSS CAUSATION/ECONOMIC LOSS

86. By misrepresenting demand for Sprint's products, the defendants presented a misleading picture of Sprint's business and prospects. Thus, instead of truthfully disclosing during

the Class Period that Sprint's business was not as healthy as represented, defendants misrepresented the benefits of the Nextel acquisition.

87. These claims of profitability caused and maintained the artificial inflation in Sprint's stock price throughout the Class Period and until the truth was revealed to the market.

88. Defendants' false and misleading statements had the intended effect and caused Sprint stock to trade at artificially inflated levels throughout the Class Period, reaching as high as $23.34 per share in June 2007.

89. As a direct result of defendants' admissions and the public revelations regarding the truth about demand for Sprint's products and its actual business prospects going forward, Sprint's stock price plummeted first 25% on January 18, 2008, to $8.70 per share, a one-day decline of $2.87 per share, and then another 10% on February 28, 2008, to $8.09 per share, a one-day decline of $0.86 per share. These drops removed the inflation from Sprint's stock price, causing real economic loss to investors who had purchased the stock during the Class Period.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

90. Plaintiff incorporates ¶¶1-89 by reference.

91. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

92. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Sprint common stock during the Class Period.

93. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Sprint common stock. Plaintiff and the Class would not have purchased Sprint common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

COUNT II

For Violation of §20(a) of the 1934 Act
Against All Defendants

94. Plaintiff incorporates ¶¶1-93 by reference.

95. The Individual Defendants acted as controlling persons of Sprint within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of Sprint stock, the Individual Defendants had the power and authority to cause Sprint to engage in the wrongful conduct complained of herein. Sprint controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

96. Plaintiff brings this action as a class action pursuant to Rule 23(b)(1) and (b)(3) of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Sprint common stock during the Class Period (the "Class"). Excluded from the Class are defendants.

97. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Sprint has nearly 2.8 billion shares of stock outstanding, owned by hundreds if not thousands of persons.

98. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) whether the 1934 Act was violated by defendants;

(b) whether defendants omitted and/or misrepresented material facts;

(c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) whether defendants knew or deliberately disregarded that their statements were false and misleading;

(e) whether the price of Sprint's common stock was artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

99. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

100. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

101. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;

B. Awarding plaintiff and the members of the Class damages, including interest;

C. Awarding plaintiff reasonable costs and attorneys' fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: March 10, 2009

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