

SPRINT NEXTEL CORP
Form 10-K
February 26, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 1-04721

SPRINT NEXTEL CORPORATION

(Exact name of registrant as specified in its charter)

KANSAS
(State or other jurisdiction of incorporation or organization)

6200 Sprint Parkway, Overland Park, Kansas
(Address of principal executive offices)

Registrant's telephone number, including area code: (800) 829-0965

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

66251
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Series 1 common stock, \$2.00 par value	New York Stock Exchange
Guarantees of Sprint Capital Corporation 6.875% Notes due 2028	New York Stock Exchange

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Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No "

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes " No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes p No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer x Accelerated filer "
Non-accelerated filer (Do not check if smaller reporting company) " Smaller reporting company "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes " No x

Aggregate market value of voting and non-voting common stock equity held by non-affiliates at June 30, 2009 was \$13,800,465,103

COMMON SHARES OUTSTANDING AT FEBRUARY 19, 2010:

Table with 2 columns: VOTING COMMON STOCK (Series 1, Series 2) and values (2,942,347,082, 35,000,000)

Documents incorporated by reference

Portions of the registrant's definitive proxy statement filed under Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, which definitive proxy statement is to be filed within 120 days after the end of registrant's fiscal year ended December 31, 2009, are incorporated by reference in Part III hereof.

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SPRINT NEXTEL CORPORATION
SECURITIES AND EXCHANGE COMMISSION
ANNUAL REPORT ON FORM 10-K

PART I

Item 1. Business
OVERVIEW

Sprint Nextel Corporation, incorporated in 1938 under the laws of Kansas, is mainly a holding company, with its operations primarily conducted by its subsidiaries. Our Series 1 voting common stock trades on the New York Stock Exchange (NYSE) under the symbol S. Sprint Nextel Corporation and its subsidiaries (Sprint, we, us, our or the Company) is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. Our operations are organized to meet the needs of our targeted subscriber groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services. We are the third largest wireless communications company in the United States based on the number of wireless subscribers, one of the largest providers of wireline long distance services and one of the largest carriers of Internet traffic in the nation. Our services are provided through our ownership of extensive wireless networks and a global long distance, Tier 1 Internet backbone.

We offer wireless and wireline voice and data transmission services to subscribers in all 50 states, Puerto Rico and the U.S. Virgin Islands under the Sprint corporate brand which includes our retail brands consisting of Sprint®, Nextel®, Boost Mobile®, Virgin Mobile® and Assurance WirelessSM on networks that utilize code division multiple access (CDMA), integrated Digital Enhanced Network (iDEN), or internet protocol (IP) technologies. We utilize these networks to offer our wireless and wireline subscribers differentiated products and services whether through the use of a single network or a combination of these networks. Through our partnership with Clearwire Corporation and its subsidiary Clearwire Communications LLC (together Clearwire), and their development of a fourth generation (4G) network utilizing Worldwide Interoperability for Microwave Access (WiMAX) technology, we are establishing ourselves as a leader in the deployment of next-generation wireless broadband services. We offer wireless services on a post-paid and prepaid payment basis to retail subscribers and also on a wholesale basis.

On November 9, 2009, we entered into an investment agreement with Clearwire to contribute an additional \$1.176 billion increasing our ownership percentage to 56% as of December 31, 2009 and enhancing Clearwire's ability to further its 4G network buildout. To strengthen our position in the growing prepaid market, we completed our acquisition of Virgin Mobile USA, Inc. (VMU) on November 24, 2009. In addition, on December 4, 2009, we completed the acquisition of iPCS, Inc. (iPCS). iPCS was previously a Sprint PCS affiliate that sold services under the Sprint® brand name and in Sprint-branded stores.

Our Business Segments

Our business consists of two reportable segments: Wireless and Wireline. For information regarding our segments, see Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and also refer to note 15 of the Notes to Consolidated Financial Statements.

Wireless

We provide certain wireless services on our third generation (3G) network and our national push-to-talk network. Through our mobile virtual network operator (MVNO) relationship with Clearwire, we are also the first and only nationwide wireless carrier to offer 4G services. Sprint 4G is available in 27 markets serving more than

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30 million people, and is expected to cover up to 120 million people by the end of 2010. In January 2010 we announced the Overdrive™ 3G/4G Mobile Hotspot by Sierra Wireless that allows up to five wireless fidelity (WiFi) enabled devices to enjoy the speeds of our 4G services where available. We also support the open development of applications and content on our network platforms. Our multi-functional device portfolio has been expanded to include the BlackBerry® Tour™ and Blackberry® Curve™ 2, the Samsung Instinct® HD, the Touch Pro 2 from HTC, and the MiFi 2200 from Novatel® Wireless. In 2009 we also added our first Android™ devices the HTC Her™ and the Samsung Moment™ with Google™ and we were the first to launch the new Palm WebOS devices. We also enable a variety of third-party providers, location-based services, and consumer product providers through our open device initiative. The open device initiative incorporates selling, marketing, product development, and operations resources to address growing non-traditional data needs, which covers a wide variety of products and services including telematics, in-vehicle devices, e-readers, specialized medical devices, and other original equipment manufacturer devices.

We believe that our value-driven wireless price plans are very competitive. Our family of Simply Everything® post-paid price plans bundle together popular data applications with traditional mobile voice calling at attractive price points. The addition of Any Mobile, Anytime™ with Everything Data™ plans provides subscribers unlimited mobile-to-mobile calling from the Sprint® Network to and from any wireless phone on any U.S. wireless carrier network at no additional charge. New Business Advantage™ pricing plans provide value, flexibility and simplicity to our business subscribers who can also take advantage of Any Mobile, Anytime™ with certain plans. Our Boost Mobile® prepaid price plans include unique nationwide monthly unlimited, pay as you go, and \$1 per day text and chat plan options. Our Virgin Mobile® prepaid price plans include monthly hybrid plans and voice and data per usage plans. Subscribers may use Top-Up cards available in increments of \$10, \$20, \$30, \$50 and \$90 to add money to their accounts. Subscribers may also elect to register a credit card, debit card or PayPal account to credit their accounts automatically on a monthly basis or when their accounts reach a specified minimum amount.

Services and Products

Data & Voice Services

Wireless data communications services include mobile productivity applications, such as Internet access and messaging and email services; wireless photo and video offerings; location-based capabilities, including asset and fleet management, dispatch services and navigation tools; and mobile entertainment applications, including the ability to view live television, listen to Sirius-XM® satellite radio, download and listen to music from our Sprint Music Store, a music catalog with thousands of songs from virtually every music genre, and game play with full-color graphics and polyphonic sounds all from a wireless handset.

Wireless voice communications services include basic local and long distance wireless voice services, as well as voicemail, call waiting, three-way calling, caller identification, directory assistance, call forwarding, and speakerphone. We offer Nextel Direct Connect® push-to-talk services on our iDEN network. We also provide voice and data services to areas in numerous countries outside of the United States through roaming arrangements. We offer customized design, development, implementation and support services for wireless services provided to large companies and government agencies.

Products

Our services are provided using a wide variety of devices and personal computer wireless data cards manufactured by various suppliers for use with our voice and data services. We generally sell these devices at prices below our cost in response to competition, to attract new subscribers and as retention inducements for existing subscribers. We sell accessories, such as carrying cases, hands-free devices, batteries, battery chargers and other items to subscribers, and we sell devices and accessories to agents and other third-party distributors for resale.

Wireless Network Technologies

We deliver wireless services to subscribers primarily through the ownership of our CDMA and iDEN networks or as a reseller of 4G services.

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Our CDMA network, an all-digital wireless network with spectrum licenses that allow us to provide service in all 50 states, Puerto Rico and the U.S. Virgin Islands, uses a single frequency band and a digital spread-spectrum wireless technology that allows a large number of users to access the band by assigning a code to all voice and data bits, sending a scrambled transmission of the encoded bits over the air and reassembling the voice and data into its original format. We provide nationwide service through a combination of operating our own digital network in both major and smaller U.S. metropolitan areas and rural connecting routes using CDMA technology, affiliations under commercial arrangements with third-party affiliates (PCS Affiliates) and roaming on other providers' networks.

Our iDEN network is an all-digital packet data network based on iDEN wireless technology provided by Motorola, Inc. We are the only national wireless service provider in the United States that utilizes iDEN technology and, generally, the iDEN devices that we currently offer are not enabled to roam on wireless networks that do not utilize iDEN technology. iDEN is a proprietary technology that relies principally on our and Motorola's efforts for further research, product development and innovation. For additional information, see Item 1A, Risk Factors. If Motorola is unable or unwilling to provide us with equipment and devices in support of our iDEN-based services, as well as improvements, our operations will be adversely affected.

Beginning in 2009, our subscribers in certain markets now have access to Clearwire's 4G network through an MVNO arrangement that enables us to resell Clearwire's 4G wireless services under the Sprint brand name. The services supported by 4G give subscribers with compatible devices high-speed access to the Internet. This relationship with Clearwire was developed through a transaction that closed on November 28, 2008, at which time we and Clearwire joined together to combine our next-generation wireless broadband businesses.

Sales, Marketing and Customer Care

We focus the marketing and sales of wireless services on targeted groups of retail subscribers: individual consumers, businesses and government subscribers.

We use a variety of sales channels to attract new subscribers of wireless services, including:

- direct sales representatives whose efforts are focused on marketing and selling wireless services primarily to mid-sized to large businesses and government agencies;

- retail outlets that focus on sales to the consumer market owned and operated by us, as well as third-party retailers;

- indirect sales agents that primarily consist of local and national non-affiliated dealers and independent contractors that market and sell services to small businesses and the consumer market, and are generally paid through commissions; and

- subscriber-convenient channels, including web sales and telesales.

We market our post-paid services under the Sprint® and Nextel® brands. We offer these services on a contract basis typically for one or two year periods, with services billed on a monthly basis according to the applicable pricing plan. We market our prepaid services under the Boost Mobile®, Virgin Mobile® and Assurance WirelessSM brands, as a means to provide value-driven prepaid service plans to particular markets. Our wholesale customers are resellers of our wireless services rather than end-use subscribers and market their products using their brands.

Although we market our services using traditional print and television advertising, we also provide exposure to our brand names and wireless services through various sponsorships, including the National Association for Stock Car Auto Racing (NASCAR®), and the National Football League (NFL®). The goal of these marketing initiatives is to increase brand awareness and sales.

Our customer management organization works to improve our customer's experience, with the goal of retaining subscribers of our wireless services. Customer service call centers, some of which are operated by us and some of which are operated by unrelated parties subject to Sprint standards of operation, receive and respond to inquiries from subscribers. We implemented initiatives that are designed to improve call center processes and procedures, and standardized our performance measures through various metrics, including customer satisfaction ratings with respect to customer care, first call resolution and calls per subscriber.

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Competition

We believe that the market for wireless services has been and will continue to be characterized by intense competition on the basis of price, the types of services and devices offered and quality of service. We compete with a number of wireless carriers, including three other national wireless companies: AT&T, Verizon Wireless and T-Mobile. Our primary competitors offer voice, high-speed data, entertainment and location-based services and push-to-talk-type features that are designed to compete with our products and services. Other competitors offer or have announced plans to introduce similar services. AT&T and Verizon also offer competitive wireless services packaged with local and long distance voice, high-speed Internet services and video. Our prepaid services compete with a number of carriers and resellers including Metro PCS Communications, Inc., Leap Wireless International, Inc. and TracFone Wireless, which offer competitively-priced calling plans that include unlimited local calling. Additionally, AT&T, T-Mobile and Verizon also offer competitive prepaid services and wholesale service to resellers. Competition will increase to the extent that new firms enter the market if additional radio spectrum is made available for commercial wireless services. We also expect competition to increase as a result of other technologies and services that are developed and introduced in the future, including potentially those using unlicensed spectrum and long term evolution (LTE). Wholesale services and products also contribute to increased competition. In some instances, resellers that use our network and offer like services compete against our offerings.

Most markets in which we operate have high rates of penetration for wireless services, thereby limiting the growth of subscribers of wireless services. As the wireless market matures, it is becoming increasingly important to retain existing subscribers in addition to attracting new subscribers. We and our competitors continue to offer more service plans that combine voice and data offerings, plans that allow users to add additional mobile devices to their plans at attractive rates, plans with a higher number of bundled minutes included in the fixed monthly charge for the plan, plans that offer the ability to share minutes among a group of related subscribers, or combinations of these features. Consumers respond to these plans by migrating to those they deem most attractive. In addition, wireless carriers also try to appeal to subscribers by offering devices at prices significantly lower than their acquisition cost, and we may offer higher cost devices at greater discounts than our competitors, with the expectation that the loss incurred on the device will be offset by future service revenue. As a result, we and our competitors recognize immediate losses that will not be recovered until future periods when service is provided. Our ability to effectively compete in the wireless business is dependent upon our ability to retain existing and attract new subscribers in an increasingly competitive marketplace. See Item 1A, Risk Factors. If we are not able attract and retain wireless subscribers, our financial performance will be impaired.

Wireline

We provide a broad suite of wireline voice and data communications services to other communications companies and targeted business subscribers. In addition, we provide voice, data and IP communication services to our Wireless segment and IP and other services to cable Multiple System Operators (MSOs) that resell our local and long distance service and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-user subscribers. We are one of the nation's largest providers of long distance services and operate all-digital long distance and Tier 1 IP networks.

Services and Products

Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, asynchronous transfer mode (ATM), IP-based frame relay, managed network services, Voice over Internet Protocol (VoIP) and traditional voice services. Our IP services can also be combined with our wireless services. Such services include our Wireless Integration service which enables a wireless handset to operate as part of a subscriber's wireline voice network and our DataLinkSM service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data network, making it easy for businesses to adapt their network to changing business requirements.

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We continue to assess the portfolio of services provided by our Wireline business and are focusing our efforts on IP-based services and de-emphasizing stand-alone voice services and non-IP-based data services. For example, in addition to increased emphasis on selling IP and managed services, we continue to convert our existing subscribers from ATM and frame relay to more advanced IP technologies, such as MPLS, Sprintlink® Frame Relay and Sprintlink® ATM, which allows us to provide converged services. Over time, this conversion is expected to result in decreases in revenue from frame relay and ATM service offset by increases in IP and MPLS services. We are also taking advantage of the growth in voice services provided by cable MSOs, by providing large cable MSOs with wholesale voice local and long distance services, which they offer as part of their bundled service offerings, as well as traditional voice and data services for their enterprise use.

Although we continue to provide voice services to residential consumers, we no longer actively market those services. Our Wireline segment markets and sells its services primarily through direct sales representatives.

Competition

Our Wireline segment competes with AT&T, Verizon Communications, Qwest Communications, Level 3 Communications, Inc., other major local incumbent operating companies, cable operators and other telecommunications providers in all segments of the long distance communications market. For several years, our long distance voice services have experienced an industry-wide trend of lower revenue from lower prices and competition from other wireline and wireless communications companies, as well as cable MSOs and Internet service providers. We continue to see industry growth in voice services provided by cable MSOs as consumers use cable MSOs as alternatives to local and long distance voice communications providers.

Some competitors are targeting the high-end data market and are offering deeply discounted rates in exchange for high-volume traffic as they attempt to utilize excess capacity in their networks. In addition, we face increasing competition from other wireless and IP-based service providers. Many carriers are competing in the residential and small business markets by offering bundled packages of both local and long distance services. Competition in long distance is based on price and pricing plans, the types of services offered, customer service, and communications quality, reliability and availability. Our ability to compete successfully will depend on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and pricing strategies. See Item 1A, Risk Factors Consolidation and competition in the wholesale market for wireline services, as well as consolidation of our roaming partners and access providers used for wireless services, could adversely affect our revenues and profitability and The blurring of the traditional dividing lines among long distance, local, wireless, video and Internet services contribute to increased competition.

Legislative and Regulatory Developments

Overview

Communications services are subject to regulation at the federal level by the Federal Communications Commission (FCC) and in certain states by public utilities commissions (PUCs). The Communications Act of 1934 (Communications Act) preempts states from regulating the rates or entry of commercial mobile radio service (CMRS) providers, such as those services provided through our Wireless segment, and imposes various licensing and technical requirements implemented by the FCC, including provisions related to the acquisition, assignment or transfer of radio licenses. CMRS providers are subject to state regulation of other terms and conditions of service. Our Wireline segment also is subject to limited federal and state regulation.

The following is a summary of the regulatory environment in which we operate and does not describe all present and proposed federal, state and local legislation and regulations affecting the communications industry. Some legislation and regulations are the subject of judicial proceedings, legislative hearings and administrative proceedings that could change the manner in which our industry operates. We cannot predict the outcome of any of these matters or their potential impact on our business. See Item 1A, Risk Factors Government regulation could adversely affect our prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth or results of operations. Regulation in the communications industry is subject to

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change, which could adversely affect us in the future. The following discussion describes some of the major communications-related regulations that affect us, but numerous other substantive areas of regulation not discussed here may also influence our business.

Regulation and Wireless Operations

The FCC regulates the licensing, construction, operation, acquisition and sale of our wireless operations and wireless spectrum holdings. FCC requirements impose operating and other restrictions on our wireless operations that increase our costs. The FCC does not currently regulate rates for services offered by CMRS providers, and states are legally preempted from regulating such rates and entry into any market, although states may regulate other terms and conditions. The Communications Act and FCC rules also require the FCC's prior approval of the assignment or transfer of control of an FCC license, although the FCC's rules permit spectrum lease arrangements for a range of wireless radio service licenses, including our licenses, with FCC oversight. Approval from the Federal Trade Commission and the Department of Justice, as well as state or local regulatory authorities, also may be required if we sell or acquire spectrum interests. The FCC sets rules, regulations and policies to, among other things:

grant licenses in the 800 megahertz (MHz) band, 900 MHz band, 1.9 gigahertz (GHz) personal communications services (PCS) band, and license renewals;

rule on assignments and transfers of control of FCC licenses, and leases covering our use of FCC licenses held by other persons and organizations;

govern the interconnection of our CDMA and iDEN networks with other wireless and wireline carriers;

establish access and universal service funding provisions;

impose rules related to unauthorized use of and access to customer information;

impose fines and forfeitures for violations of FCC rules;

regulate the technical standards governing wireless services; and

impose other obligations that it determines to be in the public interest.

We hold several kinds of licenses to deploy our services: 1.9 GHz PCS licenses utilized in the CDMA network, and 800 MHz and 900 MHz licenses utilized in the iDEN network. We also hold 1.9 GHz and other FCC licenses that are not currently being utilized, but which we intend to use in the future consistent with customer demand and our obligations as a licensee.

1.9 GHz PCS License Conditions

All PCS licenses are granted for ten-year terms. For purposes of issuing PCS licenses, the FCC utilizes major trading areas (MTAs) and basic trading areas (BTAs) with several BTAs making up each MTA. Each license is subject to build-out requirements, and the FCC may revoke a license after a hearing if the build-out or other applicable requirements have not been met. We have met these requirements in all of our MTA and BTA markets.

If applicable build-out conditions are met, these licenses may be renewed for additional ten-year terms. Renewal applications are not subject to auctions. If a renewal application is challenged, the FCC grants a preference commonly referred to as a license renewal expectancy to the applicant if the applicant can demonstrate that it has provided substantial service during the past license term and has substantially complied

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with applicable FCC rules and policies and the Communications Act. The licenses for the 10 MHz of spectrum in the 1.9 GHz band that we received as part of the FCC's Report and Order, described below, have ten-year terms and are not subject to specific build-out conditions, but are subject to renewal requirements that are similar to those for our PCS licenses.

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800 MHz and 900 MHz License Conditions

We hold licenses for channels in the 800 MHz and 900 MHz bands that are used to deploy our iDEN services. Because spectrum in these bands originally was licensed in small groups of channels, we hold thousands of these licenses, which together allow us to provide coverage across much of the continental United States. Our 800 MHz and 900 MHz licenses are subject to requirements that we meet population coverage benchmarks tied to the initial license grant dates. To date, we have met all of these construction requirements applicable to these licenses, except in the case of licenses that are not material to our business. Our 800 MHz and 900 MHz licenses have ten-year terms, at the end of which each license is subject to renewal requirements that are similar to those for our 1.9 GHz licenses.

Spectrum Reconfiguration Obligations

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band. The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. In addition, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band; however, we are required to relocate and reimburse the incumbent licensees in this band for their costs of relocation to another band designated by the FCC.

The minimum cash obligation is approximately \$2.8 billion under the Report and Order. We are, however, obligated to pay the full amount of the costs relating to the reconfiguration plan, even if those costs exceed \$2.8 billion. As required under the terms of the Report and Order, a letter of credit has been secured to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. These relocation costs are reviewed periodically based on actual costs incurred. As a result of these reviews, our letter of credit was reduced from \$2.0 billion to \$1.7 billion in 2009 as approved by the FCC.

Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008; however, the FCC has issued a significant number of waivers to 800 MHz licensees giving them additional time to complete their band reconfigurations, which may delay access to some of our 800 MHz replacement spectrum. Based on progress to date, a significant number of additional extension requests have been filed and more are expected. Under an October 2008 FCC Order, we may be required, on March 31, 2010, to relinquish some of our 800 MHz spectrum on a region-by-region basis prior to receiving 800 MHz replacement spectrum. On January 27, 2010, we asked the FCC to waive the requirement in certain regions where most public safety agencies have not yet vacated our replacement channels. This request is pending before the FCC. The Report and Order also contained an exception with respect to markets that border Mexico and Canada. The exception with respect to markets that border Canada was clarified on May 9, 2008 when the FCC issued the Canadian border plans to include a 30-month deadline for completion.

New Spectrum Opportunities and Spectrum Auctions

Several FCC proceedings and initiatives are underway that may affect the availability of spectrum used or useful in the provision of commercial wireless services, which may allow new competitors to enter the wireless market. We cannot predict when or whether the FCC will conduct any spectrum auctions or if it will release additional spectrum that might be useful to wireless carriers, including us, in the future.

911 Services

Pursuant to FCC rules, CMRS providers, including us, are required to provide enhanced 911 (E911) services in a two-tiered manner. Specifically, wireless carriers are required to transmit to a requesting public safety answering point (PSAP) both the 911 caller's telephone number and (a) the location of the cell site from which the call is being made, or (b) the location of the customer's handset using latitude and longitude, depending upon the capability of the PSAP. Implementation of E911 service must be completed within six months of a PSAP request for service in its area, or longer, based on the agreement between the individual PSAP and carrier. As a part of the FCC's approval of the Clearwire transaction, we committed to measure the accuracy

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of our 911 systems at the county level with certain exceptions. We believe we will be able to comply with this accuracy standard using existing technology.

National Security

Issues involving national security and disaster recovery are likely to continue to receive attention at the FCC, state and local levels, and Congress. A major focus of the federal government is cyber security. Congress is expected to take up legislation implementing measures to increase the security and resiliency of the Nation's digital infrastructure. We cannot predict the cost impact of such legislation. The FCC has chartered the Communications Security, Reliability and Interoperability Council consisting of communications companies, public safety agencies and non-profit consumer and community organizations to make recommendations to the FCC to ensure optimal security, reliability, and interoperability of communications systems. We are a member of the council. In addition, the FCC and the Federal Emergency Management Agency/Department of Homeland Security are likely to continue to focus on disaster preparedness and communications among first responders. We have voluntarily agreed to provide wireless emergency alerts over our CDMA network and are looking to do so over our iDEN network. Under the time line developed by the FCC, the provision of such alerts is to begin no later than April 2012.

Tower Siting

Wireless systems must comply with various federal, state and local regulations that govern the siting, lighting and construction of transmitter towers and antennas, including requirements imposed by the FCC and the Federal Aviation Administration. FCC rules subject certain cell site locations to extensive zoning, environmental and historic preservation requirements and mandate consultation with various parties, including Native Americans. The FCC adopted significant changes to its rules governing historic preservation review of projects, which makes it more difficult and expensive to deploy antenna facilities. The FCC recently has imposed a tower siting "shot clock" that would require local authorities to address tower applications within a specific timeframe. This may assist carriers in more rapid deployment of towers. Other changes to environmental protection and tower construction rules, however, are still possible. To the extent governmental agencies impose additional requirements on the tower siting process, the time and cost to construct cell towers could be negatively impacted.

State and Local Regulation

While the Communications Act generally preempts state and local governments from regulating entry of, or the rates charged by, wireless carriers, certain state PUCs and local governments regulate customer billing, termination of service arrangements, advertising, certification of operation, use of handsets when driving, service quality, sales practices, management of customer call records and protected information and many other areas. Also, some state attorneys general have become more active in bringing lawsuits related to the sales practices and services of wireless carriers. Varying practices among the states may make it more difficult for us to implement national sales and marketing programs. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC, and some states are requiring wireless carriers to help fund the provision of intrastate relay services for consumers who are hearing impaired. We anticipate that these trends will continue to require us to devote legal and other resources to work with the states to respond to their concerns while attempting to minimize any new regulation and enforcement actions that could increase our costs of doing business.

Regulation and Wireline Operations

Competitive Local Service

The Telecommunications Act of 1996 (Telecom Act) the first comprehensive update of the Communications Act, was designed to promote competition, and it eliminated legal and regulatory barriers for entry into local and long distance communications markets. It also required incumbent local exchange carriers (ILECs) to allow resale of specified local services at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to certain unbundled network elements and allow co-location of interconnection equipment by competitors. The rules implementing the Telecom Act remain subject to legal

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challenges. Thus, the scope of future local competition remains uncertain. These local competition rules impact us because we provide wholesale services to cable television companies that wish to compete in the local voice telephony market.

We provide cable companies with communications and back-office services to enable the cable companies to provide competitive local and long distance telephone services primarily in a VoIP format to their end-user customers. We are now providing these services to cable companies in a number of states while working to gain regulatory approvals and obtain interconnection agreements to enter additional markets. Certain rural ILECs continue to take steps to impede our ability to provide services to the cable companies in an efficient manner. However, regulatory decisions in several states may speed our market entry in those states.

Voice over Internet Protocol

We offer a growing number of VoIP-based services to business subscribers and transport VoIP-originated traffic for various cable companies. The FCC has not yet resolved the regulatory classification of VoIP services, but continues to consider the regulatory status of various forms of VoIP. In 2004, the FCC issued an order finding that one form of VoIP, involving a specific form of computer-to-computer services for which no charge is assessed and conventional telephone numbers are not used, is an unregulated information service, rather than a telecommunications service, and preempted state regulation of this service. The FCC also ruled that long distance offerings in which calls begin and end on the ordinary public switched telephone network, but are transmitted in part through the use of IP, are telecommunications services, thereby rendering the services subject to all the regulatory obligations imposed on ordinary long distance services, including payment of access charges and contributions to the universal service fund (USF). In addition, the FCC preempted states from exercising entry and related economic regulation of interconnected VoIP services that require the use of broadband connections and specialized customer premises equipment and permit users to terminate calls to and receive calls from the public switched telephone network. However, the FCC's ruling did not address specifically whether this form of VoIP is an information service or a telecommunications service, or what regulatory obligations, such as intercarrier compensation, should apply. Nevertheless, the FCC requires interconnected VoIP providers to contribute to the federal USF, offer E911 emergency calling capabilities to their subscribers, and comply with the electronic surveillance obligations set forth in the Communications Assistance for Law Enforcement Act (CALEA). Because we provide VoIP services and transport VoIP-originated traffic, an FCC ruling on the regulatory classification of VoIP services and the applicability of specific intercarrier compensation rates is likely to affect the cost to provide these services; our pricing of these services; access to numbering resources needed to provide these services; and long-term E911, CALEA and USF obligations. Continued regulatory uncertainty over the appropriate intercarrier compensation for interconnected VoIP services has led to many disputes between carriers.

High-speed Internet Access Services

Following a June 2005 U.S. Supreme Court decision affirming the FCC's classification of cable modem Internet access service as an information service and declining to impose mandatory common carrier regulation on cable providers, the FCC issued an order in September 2005 declaring that the wireline high-speed Internet access services, which are provided by ILECs, are information services rather than telecommunications services. As a result, over time ILECs have been relieved of certain obligations regarding the provision of the underlying broadband transmission services. In 2007, the FCC followed this decision with a similar deregulation of wireless high-speed Internet access services. Such deregulation should result in less regulation of some of our evolution data optimized (EV-DO) products and services.

Network Neutrality

Deregulation of broadband services has sparked a debate over net neutrality and open access. Proponents of net neutrality assert that operators of broadband transmission facilities should not be permitted to make distinctions among content providers for priority access to the underlying facilities and that networks should be open to use by any device the customer chooses to bring to the network. While we have deployed open wireless operating platforms on our devices, such as the Android platform created in conjunction with

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Google and the Open Handset Alliance, an open access or net neutrality mandate that is not narrowly crafted could adversely affect the operation of our broadband networks by constraining our ability to control the network and protect our users from harm caused by other users and devices. The FCC has a pending proceeding to consider whether all high-speed Internet access services, including wireless services, should be subject to such net neutrality obligations. The imposition of any such obligations could result in significant costs to us.

International Regulation

The wireline services we provide outside the United States are subject to the regulatory jurisdiction of foreign governments and international bodies. In general, this regulation requires that we obtain licenses for the provision of wireline services and comply with certain government requirements.

Other Regulations

Truth in Billing and Consumer Protection

The FCC's Truth in Billing rules generally require both wireline and wireless telecommunications carriers, such as us, to provide full and fair disclosure of all charges on their bills, including brief, clear, and non-misleading plain language descriptions of the services provided. In response to a petition from the National Association of State Utility Consumer Advocates, the FCC found that state regulation of CMRS rates, including line items on consumer bills, is preempted by federal statute. This decision was overturned by the 11th Circuit Court of Appeals and the Supreme Court denied further appeal. As a consequence, states may attempt to impose various regulations on the billing practices of wireless carriers. In addition, the FCC has opened a new proceeding to address issues of consumer protection, including the use of early termination fees, and appropriate state and federal roles. If this proceeding or individual state proceedings create changes in the Truth in Billing rules, our billing and customer service costs could increase.

Access Charge Reform

ILECs and competitive local exchange carriers (CLECs) impose access charges for the origination and termination of long distance calls upon wireless and long distance carriers, including our Wireless and Wireline segments. Also, interconnected local carriers, including our Wireless segment, pay to each other reciprocal compensation fees for terminating interconnected local calls. In addition, ILECs and CLECs impose special access charges for their provision of dedicated facilities to other carriers, including both our Wireless and Wireline segments. These fees and charges are a significant cost for our Wireless and Wireline segments. There are ongoing proceedings at the FCC related to access charges and special access rates, which could impact our costs for these services and the FCC has released recently a further Public Notice addressing special access charges. We cannot predict when these proceedings will be completed.

Several ILECs have sought and received forbearance from FCC regulation of certain enterprise broadband services. Specifically, the FCC granted forbearance to AT&T, ACS Anchorage, CenturyLink (formerly Embarq), Frontier and Citizens from price regulation of their non-time division multiplexing (TDM) based high-capacity special access services. Furthermore, in 2007, the U.S. Court of Appeals for the District of Columbia found that Verizon was deemed granted forbearance from the same rules when the FCC deadlocked on its similar forbearance petition, and that the deemed grant was unreviewable by the Court. Our request for en banc review was denied. The appeal of the FCC's rulings with respect to AT&T, Citizens, Frontier and CenturyLink was denied. These deregulatory actions by the FCC could enable the ILECs to raise their special access prices.

The FCC currently is considering measures to address traffic pumping by local exchange carriers (LECs) predominantly in rural exchanges, that have very high access charges. Under traffic pumping arrangements, the LECs partner with other entities to offer free or almost free services (such as conference calling and chat lines) to end users; these services (and payments to the LECs' partners) are financed through the assessment of high access charges on the end user's long distance or wireless carrier. Because of the peculiarities of the FCC's access rate rules for small rural carriers, these LECs are allowed to base their rates on low historic demand levels rather than the vastly higher pumped demand levels, which enables the LEC to earn windfall

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profits. The FCC is considering the legality of traffic pumping arrangements as well as rule changes to ensure that rates charged by LECs experiencing substantial increases in demand volumes are just and reasonable. As a major wireless and wireline carrier, we have been assessed millions of dollars in access charges for pumped traffic. Adoption by the FCC of measures to limit the windfall profits associated with traffic pumping would have a direct beneficial impact on us. Recent positive decisions against several LECs and their traffic pumping partners in U.S. district courts and before the Iowa Utilities Board and the FCC may result in some decrease in this activity.

Universal Service Reform

Communications carriers contribute to and receive support from various universal service funds established by the FCC and many states. The federal USF program funds services provided in high-cost areas, reduced-rate services to low-income consumers, and discounted communications and Internet services for schools, libraries and rural health care facilities. The USF is funded from assessments on communications providers, including our Wireless and Wireline segments, based on FCC-prescribed contribution factors applicable to our interstate and international end-user revenues from telecommunications services and interconnected VoIP services. Similarly, many states have established their own universal service funds to which we contribute. The FCC is considering changing the interstate revenue-based assessment with an assessment based on telephone numbers or connections to the public network, which could impact the amount of our assessments, but it is not clear that the FCC is prepared to take action in the near future. As permitted, we assess subscribers for these USF charges.

The FCC also is considering changing the way it distributes federal USF support to competitive carriers like us. Currently, we receive support in 25 jurisdictions as an Eligible Telecommunications Carrier (ETC). In 2008, the FCC capped the total amount of high cost USF support competitive carriers could receive and has continued to impose conditions on parties seeking merger or acquisition approval to reduce their USF receipts. As part of the Clearwire transaction, we agreed to reduce our USF receipts to zero in five equal steps over a four year-period. The annual amount we currently receive from USF is immaterial. In addition, various state commissions have imposed or are considering new billing, Lifeline service and network deployment requirements which add significantly to the cost and burden of providing service as an ETC. A loss of our ETC designation in a given state, whether voluntary or mandatory, would require us to forego our USF support in that state.

Electronic Surveillance Obligations

The CALEA requires telecommunications carriers, including us, to modify equipment, facilities and services to allow for authorized electronic surveillance based on either industry or FCC standards. Our CALEA obligations have been extended to data and VoIP networks, and we are in compliance with these requirements. Certain laws and regulations require that we assist various government agencies with electronic surveillance of communications and records concerning those communications. We are a defendant in four purported class action lawsuits that allege that we participated in a program of intelligence gathering activities for the federal government following the terrorist attacks of September 11, 2001 that violated federal and state law. Relief sought in these cases includes injunctive relief, statutory and punitive damages, and attorneys' fees. We believe these suits have no merit, and they were dismissed by the district court. The plaintiffs' appeal to the US Court of Appeals for the Ninth Circuit is pending. We do not disclose customer information to the government or assist government agencies in electronic surveillance unless we have been provided a lawful request for such information.

Privacy-Related Regulations

We comply with FCC customer proprietary network information (CPNI) rules, which require carriers to comply with a range of marketing and safeguard obligations. These obligations focus on carriers' access, use, storage and disclosure of CPNI. In 2007, the FCC adopted a new CPNI Order that imposed additional CPNI obligations on carriers. The new CPNI rules took effect in December 2007. We are utilizing a variety of compliance vehicles, such as technical and systematic solutions and updated policies and procedures, to conform our operations to the new CPNI obligations. The technical and systematic solutions offer significant data security

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benefits, but they also require significant development and testing. We petitioned the FCC for a limited waiver of some new CPNI rules so that we could complete development, testing and deployment of our CPNI compliance solutions. No opposition comments were filed in response to our petition. We also continue to monitor our CPNI compliance program and make enhancements and improvements when necessary.

Environmental Compliance

Our environmental compliance and remediation obligations relate primarily to the operation of standby power generators, batteries and fuel storage for our telecommunications equipment. These obligations require compliance with storage and related standards, obtaining of permits and occasional remediation. Although we cannot assess with certainty the impact of any future compliance and remediation obligations, we do not believe that any such expenditures will have a material adverse effect on our financial condition or results of operations.

We have identified seven former manufactured gas plant sites in Nebraska, not currently owned or operated by us, that may have been owned or operated by entities acquired by Centel Corporation, formerly a subsidiary of ours and now a subsidiary of CenturyLink. We and CenturyLink have agreed to share the environmental liabilities arising from these former manufactured gas plant sites. Three of the sites are part of ongoing settlement negotiations and administrative consent orders with the Environmental Protection Agency (EPA). Two of the sites have had initial site assessments conducted by the Nebraska Department of Environmental Quality (NDEQ) but no regulatory actions have followed. The two remaining sites have had no regulatory action by the EPA or the NDEQ. Centel has entered into agreements with other potentially responsible parties to share costs in connection with five of the seven sites. We are working to assess the scope and nature of this responsibility, which is not expected to be material.

Patents, Trademarks and Licenses

We own numerous patents, patent applications, service marks, trademarks and other intellectual property in the United States and other countries, including Sprint, Nextel, Direct Connect and Boost Mobile. Our services often use the intellectual property of others, such as licensed software, and we often license copyrights, patents and trademarks of others, like Virgin Mobile. In total, these licenses and our copyrights, patents, trademarks and service marks are of material importance to the business. Generally, our trademarks and service marks endure and are enforceable so long as they continue to be used. Our patents and licensed patents have remaining terms generally ranging from one to 19 years.

We occasionally license our intellectual property to others, including licenses to others to use the trademarks Sprint and Nextel.

We have received claims in the past, and may in the future receive claims, that we, or third parties from whom we license or purchase goods or services, have infringed on the intellectual property of others. These claims can be time-consuming and costly to defend, and divert management resources. If these claims are successful, we could be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks. We, or third parties from whom we license or purchase goods or services, also could enter into licenses with unfavorable terms, including royalty payments, which could adversely affect our business.

Employee Relations

As of December 31, 2009, we employed approximately 40,000 personnel.

We announced cost reduction programs in January and November 2009 designed to further align our cost structure with the reduced revenues expected from fewer subscribers. Approximately 1,200 positions from the 2009 reductions will not be completed until 2010, and as such, are still included in the ending employee count above.

Access to Public Filings and Board Committee Charters

Important information is routinely posted on our website at www.sprint.com. Information contained on the website is not part of this annual report. Public access is provided to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed with the

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Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934. These documents may be accessed free of charge on our website at the following address: <http://investors.sprint.com>. These documents are available as soon as reasonably practicable after filing with the SEC and may also be found at the SEC's website at www.sec.gov.

Public access is provided to our Code of Ethics, entitled the Sprint Nextel Code of Conduct, our Corporate Governance Guidelines and the charters of the following committees of our board of directors: the Audit Committee, the Compensation Committee, the Executive Committee, the Finance Committee, and the Nominating and Corporate Governance Committee. The Code of Conduct, corporate governance guidelines and committee charters may be accessed free of charge on our website at the following address: www.sprint.com/governance. Copies of any of these documents can be obtained free of charge by writing to: Sprint Nextel Shareholder Relations, 6200 Sprint Parkway, Mailstop KSOPHF0302-3B424, Overland Park, Kansas 66251 or by email at shareholder.relations@sprint.com. If a provision of the Code of Conduct required under the NYSE corporate governance standards is materially modified, or if a waiver of the Code of Conduct is granted to a director or executive officer, a notice of such action will be posted on our website at the following address: www.sprint.com/governance. Only the Audit Committee may consider a waiver of the Code of Conduct for an executive officer or director.

Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating us. Our business, financial condition, liquidity or results of operations could be materially adversely affected by any of these risks.

If we are not able to attract and retain wireless subscribers, our financial performance will be impaired.

We are in the business of selling communications services to subscribers, and our economic success is based on our ability to attract new subscribers and retain current subscribers. If we are unable to find enough people willing to subscribe for or purchase our wireless communications services, or unwilling to continue to purchase our services, at the prices at which we are willing to sell them, our financial performance will be impaired, and we could fail to meet our financial obligations, which could result in several outcomes, including controlling investments by third parties, takeover bids, liquidation of assets or insolvency. Since January 1, 2009, we have experienced a 1.0 million decrease in our total retail subscriber base, including approximately 3.5 million post-paid subscribers, while our two largest competitors increased their subscribers. In addition, over the past year, we have experienced an average post-paid churn rate of 2.15%, while our two largest competitors had churn rates that were substantially lower.

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

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

actual or perceived quality and coverage of our network;

public perception about our brands;

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

our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced by our competitors, changes in consumer preferences, demographic trends, economic conditions, and discount pricing and other strategies that may be implemented by our competitors; and

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our ability to enter into arrangements with MVNOs and alternative resellers;
Our recent efforts to attract new post-paid subscribers and reduce churn have not been as successful as those of our competitors. Our post-paid subscriber losses and high rate of churn have impaired our ability to

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maintain the level of revenues generated in prior periods and caused deterioration in the operating margins of our wireless operations and our operations as a whole, the effects of which will continue if we do not attract new subscribers and reduce our rate of churn. Our ability to retain subscribers may also be negatively affected by industry trends related to subscriber contracts. For example, we and our competitors no longer require subscribers to renew their contracts when making changes to their pricing plans. These types of changes could negatively affect our ability to retain subscribers and could lead to an increase in our churn rates if we are not successful in providing an attractive product and service mix.

We expect to incur expenses to attract new subscribers, improve subscriber retention and reduce churn, but there can be no assurance that our efforts will result in new subscribers or a lower rate of subscriber churn. Subscriber losses and a high rate of churn adversely affect our business, financial condition and results of operations because they result in lost revenues and cash flow. Although attracting new subscribers and retention of existing subscribers are important to the financial viability of our business, there is an added focus on retention because the cost of adding a new subscriber is higher than the cost associated with retention of an existing subscriber, and new subscribers are generally entering into contracts with lower average revenue per subscriber than the subscribers leaving our network.

As the wireless market matures, we must increasingly seek to attract subscribers from competitors and face increased credit risk from first-time wireless subscribers.

We and our competitors increasingly must seek to attract a greater proportion of new subscribers from each other's existing subscriber bases rather than from first-time purchasers of wireless services. Recently, we have not been able to attract post-paid subscribers at the same rate as our competitors and have had a net loss of post-paid subscribers during each of the last three fiscal years ending December 31, 2009. In addition, the higher market penetration also means that subscribers purchasing wireless services for the first time, on average, have a lower credit score than existing wireless users, and the number of these subscribers we are willing to accept is dependent on our credit policies. To the extent we cannot compete effectively for new subscribers, our revenues and results of operations will be adversely affected.

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