

Approved: March 8, 2005  
Date

*Carl Dean Holmes*

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:10 a.m. on January 20, 2005 in Room 231-N of the Capitol.

All members were present except: Representative Eric Carter - Excused  
Representative Annie Kuether - Excused  
Representative Melody Miller - Excused

Committee staff present: Mary Galligan, Legislative Research  
Dennis Hodgins, Legislative Research  
Mary Torrence, Revisor of Statutes  
Jo Cook, Administrative Assistant

Conferees appearing before the committee: Michael Kirksey, SBC, Dallas, TX  
Richard Lawson, Sprint, Jefferson City, MO

Others attending: See Attached List

Chairman Holmes welcomed Michael Kirksey, General Manager-Emerging Technologies for SBC, to the committee. Mr. Kirksey shared a power point presentation on Public Switched Telephone Network (PSTN) and Voice over Internet Protocol (VoIP) (Attachment 1). Mr. Kirksey outlined the basic workings of PSTN as well as the emerging technology of VoIP. He also provided an FCC Consumer Facts sheet on Voip/Internet Voice (Attachment 2). Mr. Kirksey responded to questions from the committee.

Richard Lawson, Vice President of Sprint, spoke to the committee regarding the proposed Sprint United and Nextel merger (Attachment 3). Mr. Lawson stated that this was a "merger of equals" and would be called Sprint Nextel. In addition, Sprint will be spinning off its local telecommunications business. He told the committee that the executive headquarters would be in Reston, VA with the operation headquarters in Overland Park, KS. Mr. Lawson responded to questions from the committee.

The meeting adjourned at 10:15 a.m.

The next meeting is Friday, January 21, 2005 at 9:00 a.m.

# HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: January 20, 2005

| NAME                 | REPRESENTING        |
|----------------------|---------------------|
| Amber Shaverdi       | PMCA                |
| Kristina Hilboldt    | Intern Rep. Watkins |
| Zach Sobel           | Intern Rep. Swartz  |
| LINDA YOHON          | Rural Telephone     |
| Rebekah Gaston       | Intern, Rep. Long   |
| TOM DAY              | KCC                 |
| Dan Murray           | Federico Consulting |
| Rachel Lipman Reiber | Everest Connections |
| RICHARD LAWSON       | SPRINT              |
| Mike Murray          | Sprint              |
| Ken Schiffman        | Sprint              |
| Anne Spiess          | KTIA                |
| Tim Garsner          | SBC                 |
| Debbie Vignatelli    | SBC                 |
| Paul Snider          | SBC                 |
| Kristin Schmitt      | Sprint              |
| Caryn Gaston         | SPRINT              |
| JANET BRUCHMAN       | fee                 |
| Wyneta Browne        | AT&T                |
| Wileen Muller        | COX                 |

# HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: January 20, 2005

| NAME               | REPRESENTING   |
|--------------------|----------------|
| JOHN C. BOTTENBERG | SBC-KS         |
| Mike Reecht        | GACHES, BRADEN |
| Kimberly Lencer    | Aquila         |
| John Pinegar       |                |
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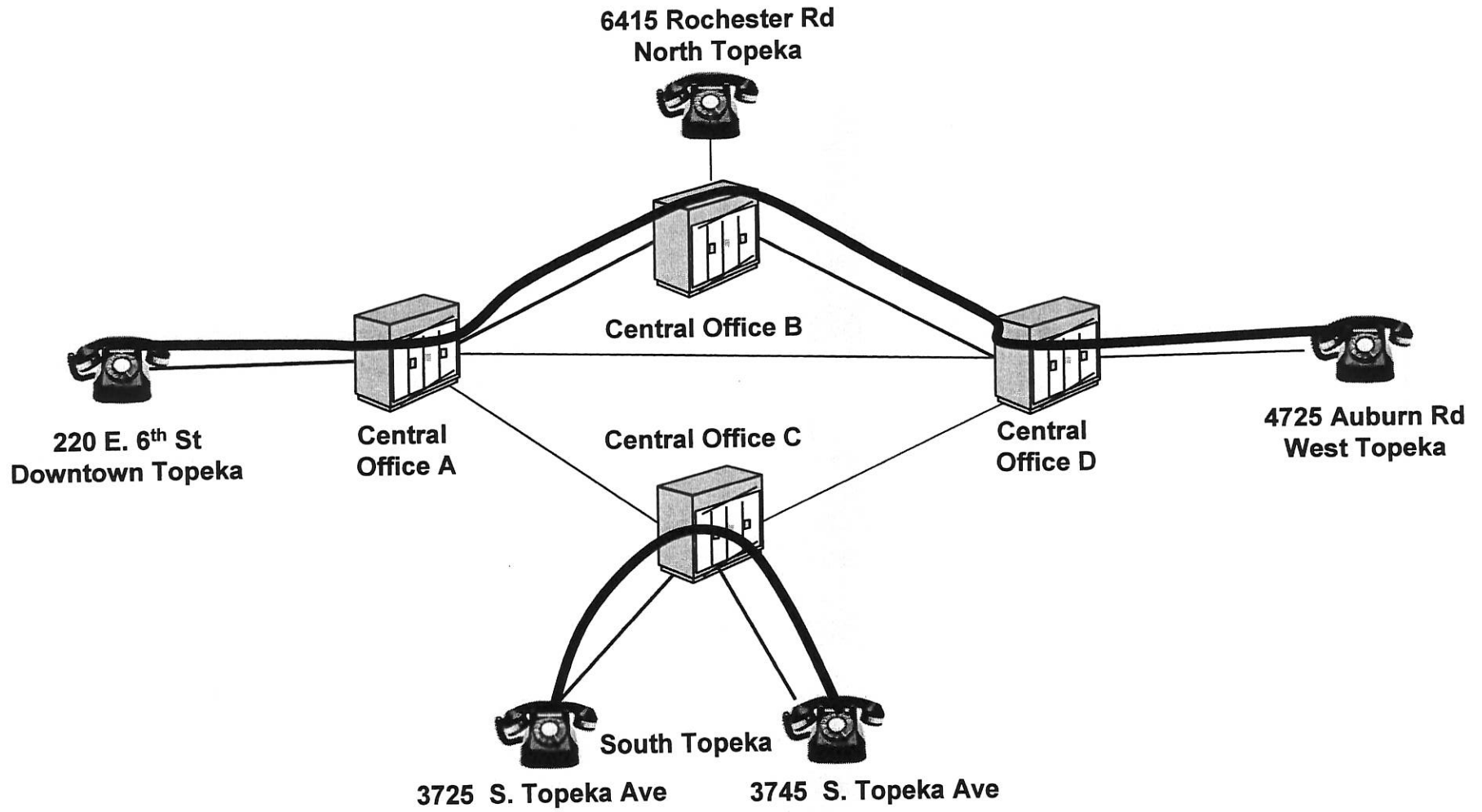


# **Public Switched Telephone Network (PSTN) & Voice over Internet Protocol (VoIP) Overview**

Michael Kirksey  
General Manager-Emerging Technologies

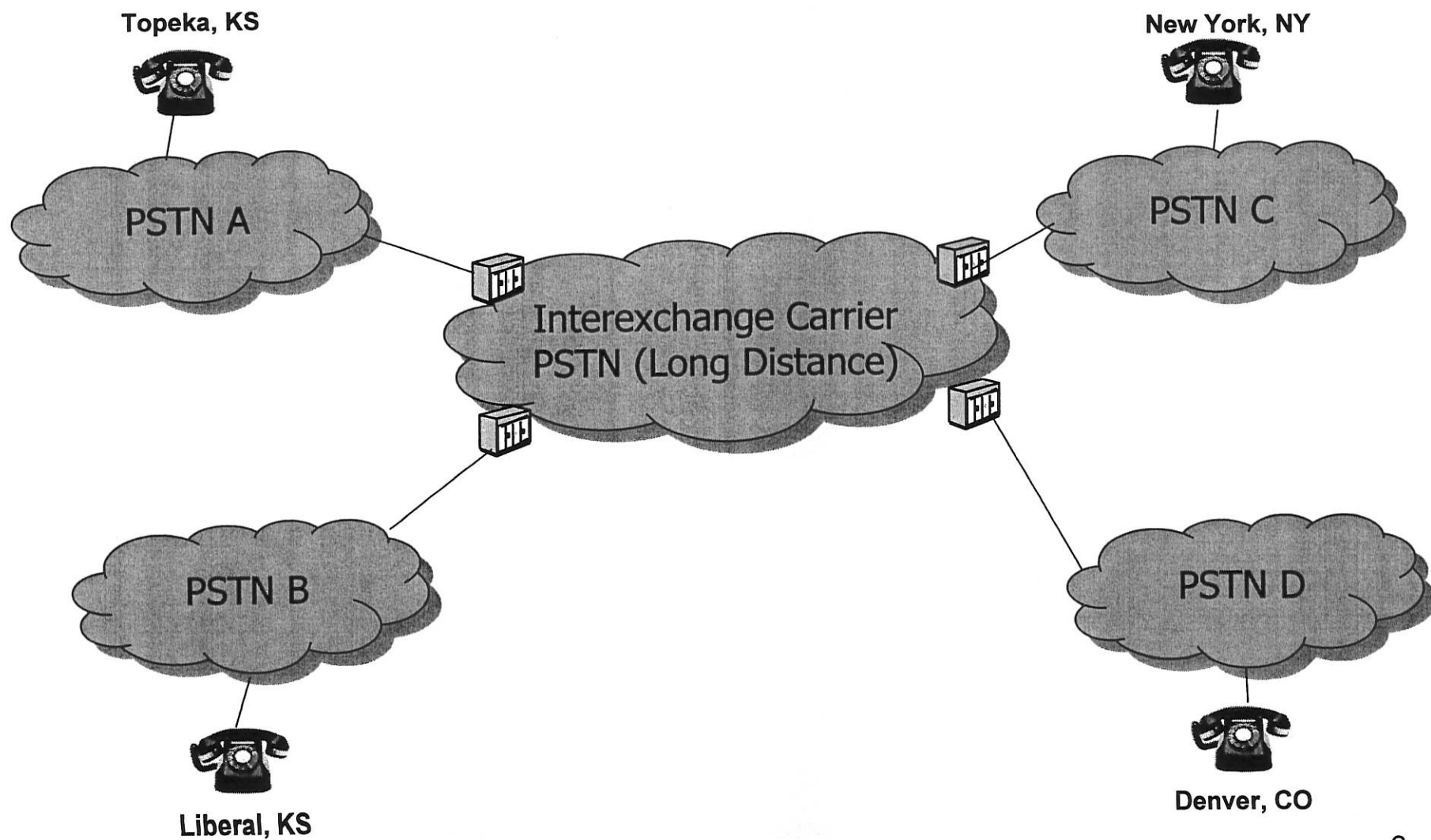
# Public Switched Telephone Network (PSTN)

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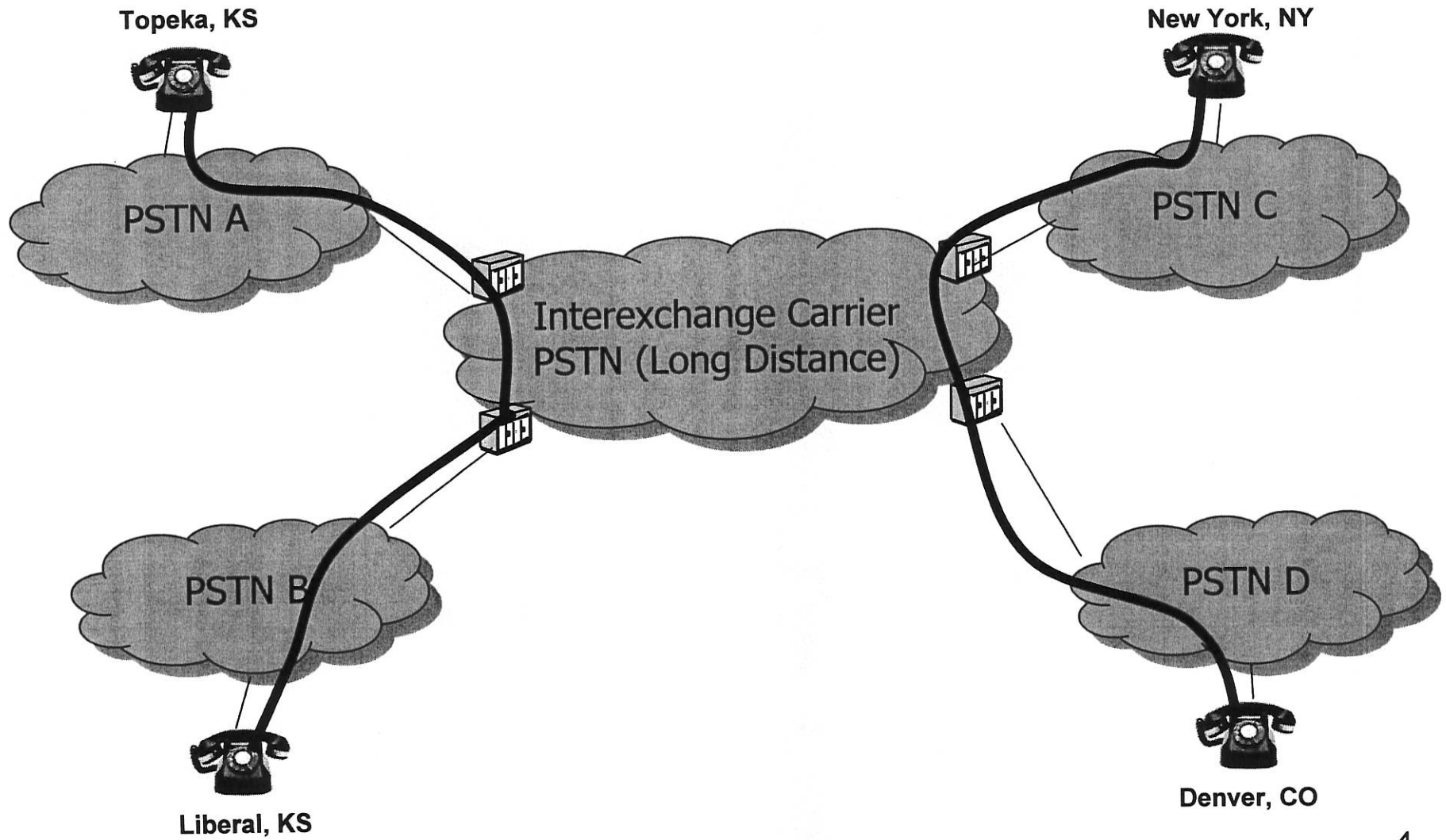
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# PSTN: Intrastate/Interstate Network Interconnection



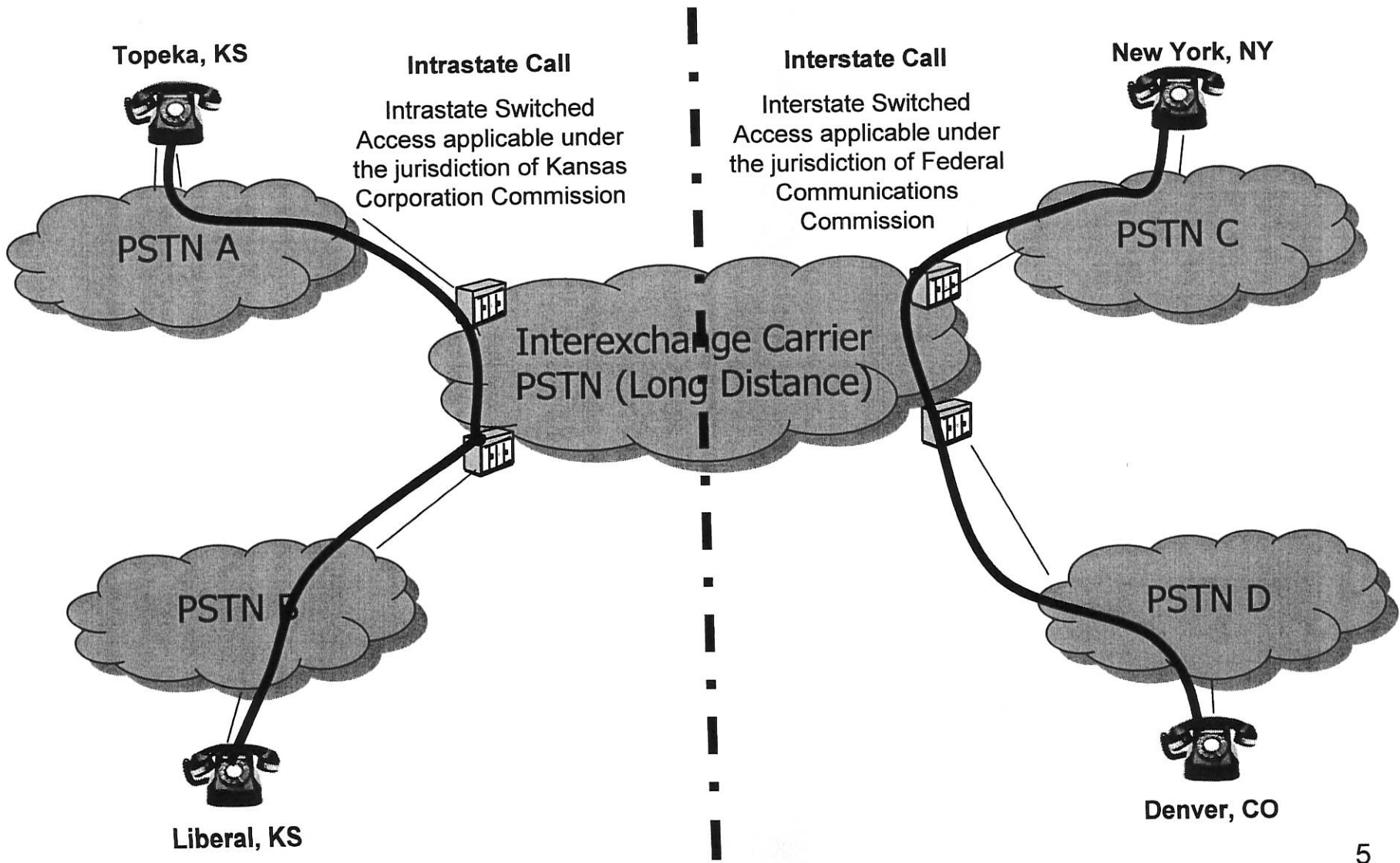
# PSTN: Intrastate/Interstate Calls

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# PSTN: Intrastate/Interstate Calls: Switched Access





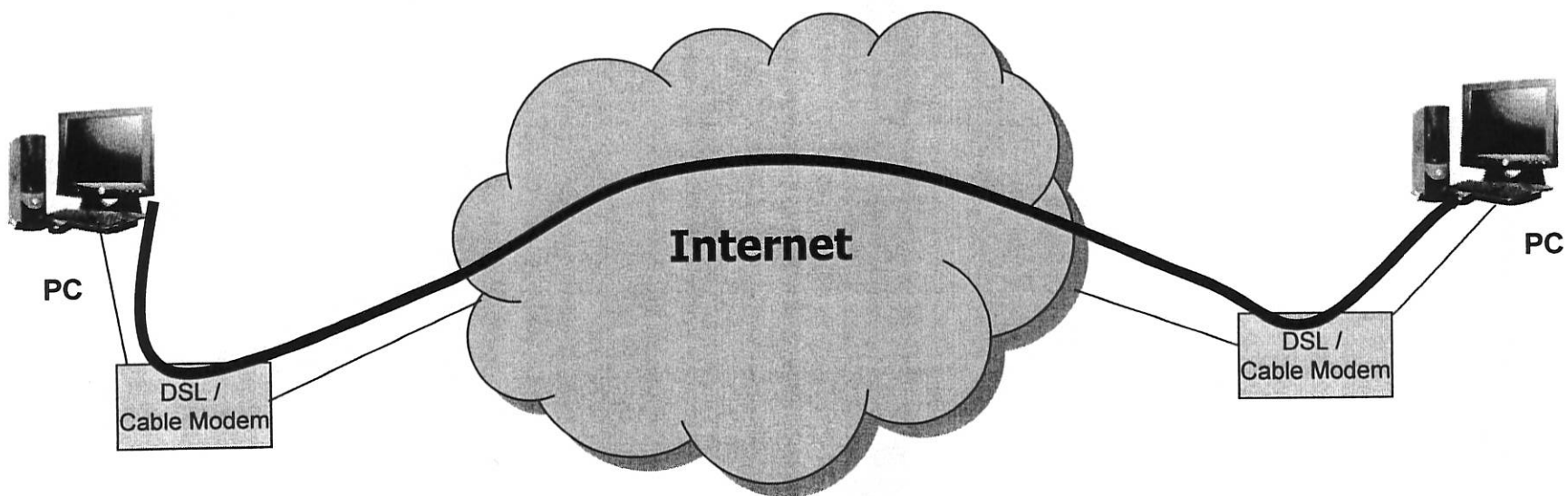
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## Voice over Internet Protocol (VoIP)

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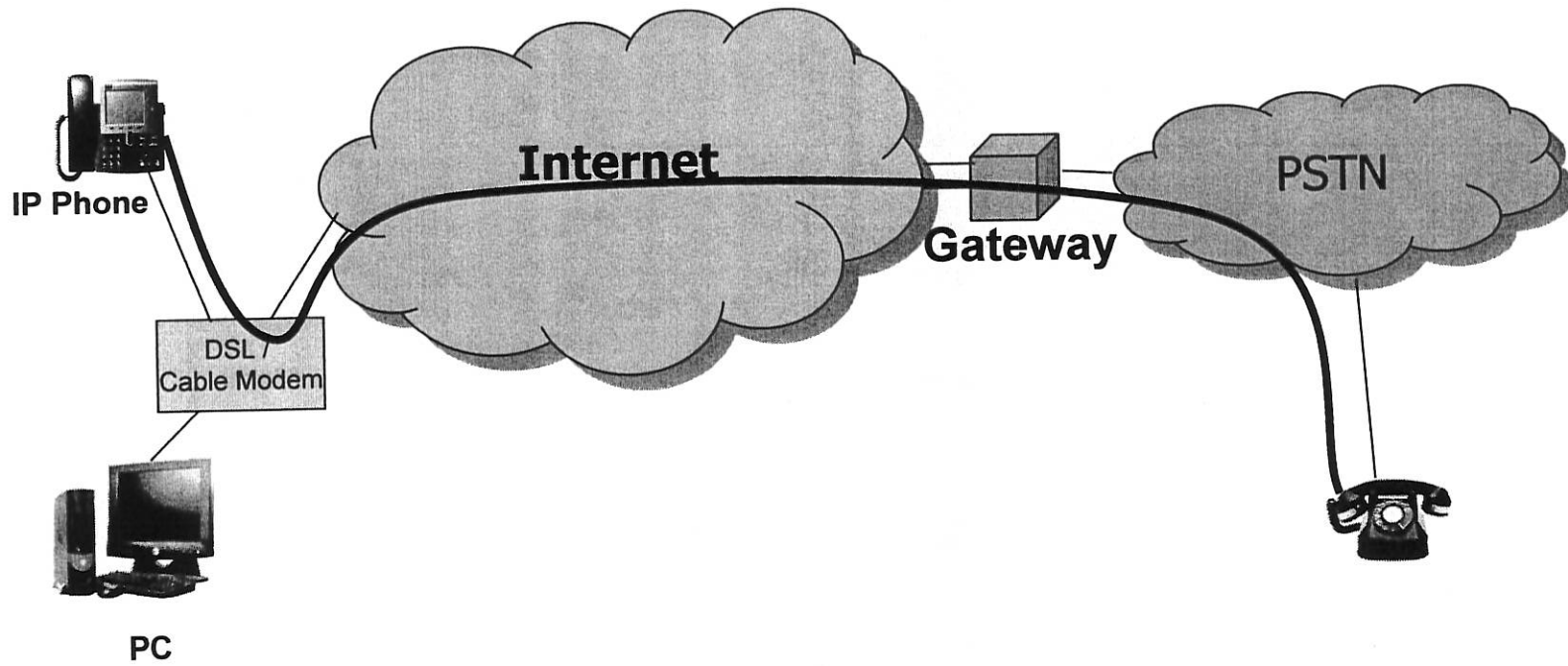
- VoIP converts the voice signal from your phone into a digital source that travels the Internet. The signal is then converted back to human voice form.
- VoIP has been used in various forms for many years.

# Connecting to the Internet

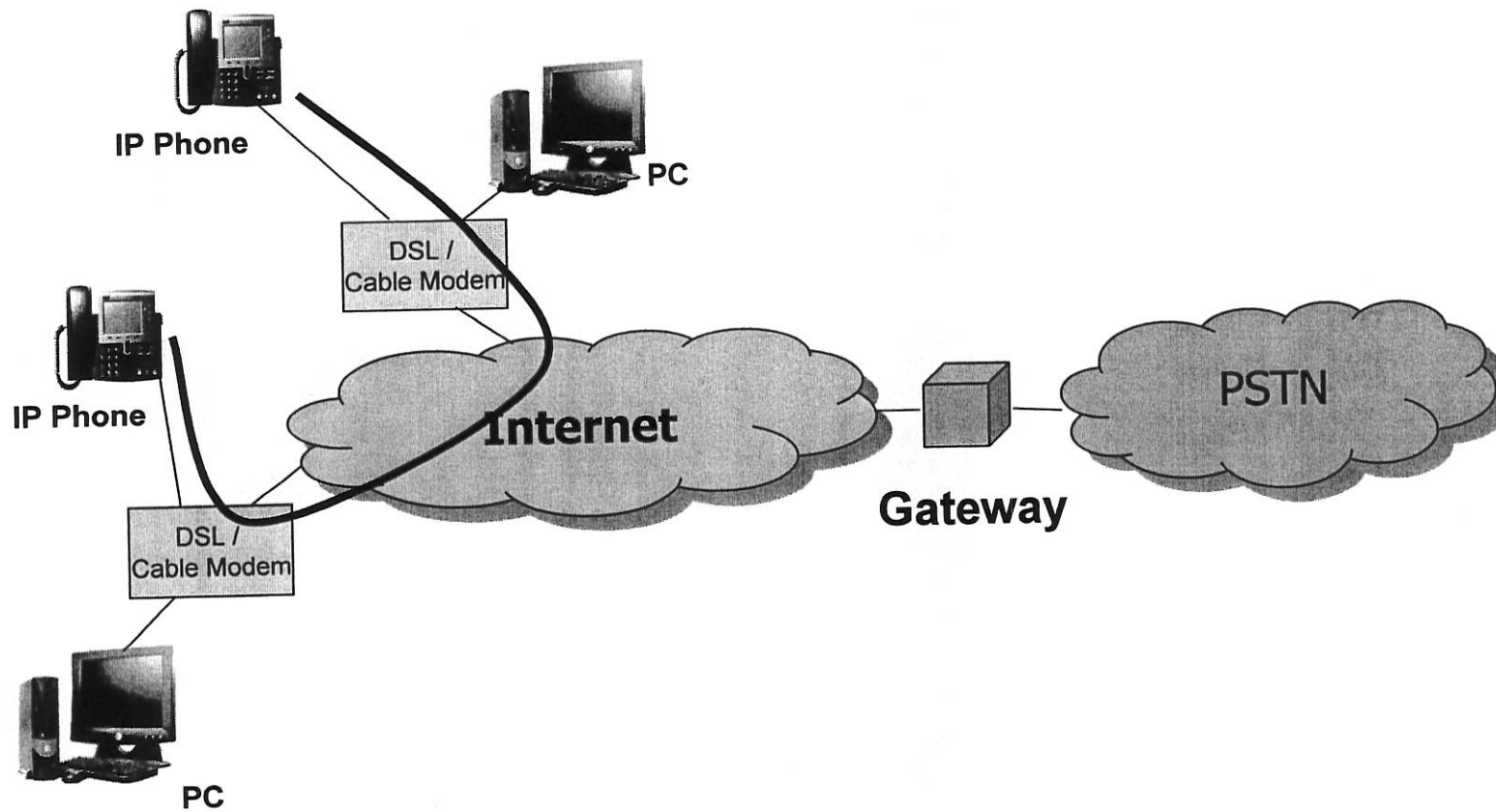


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# Consumer VoIP: IP Phone to PSTN Phone

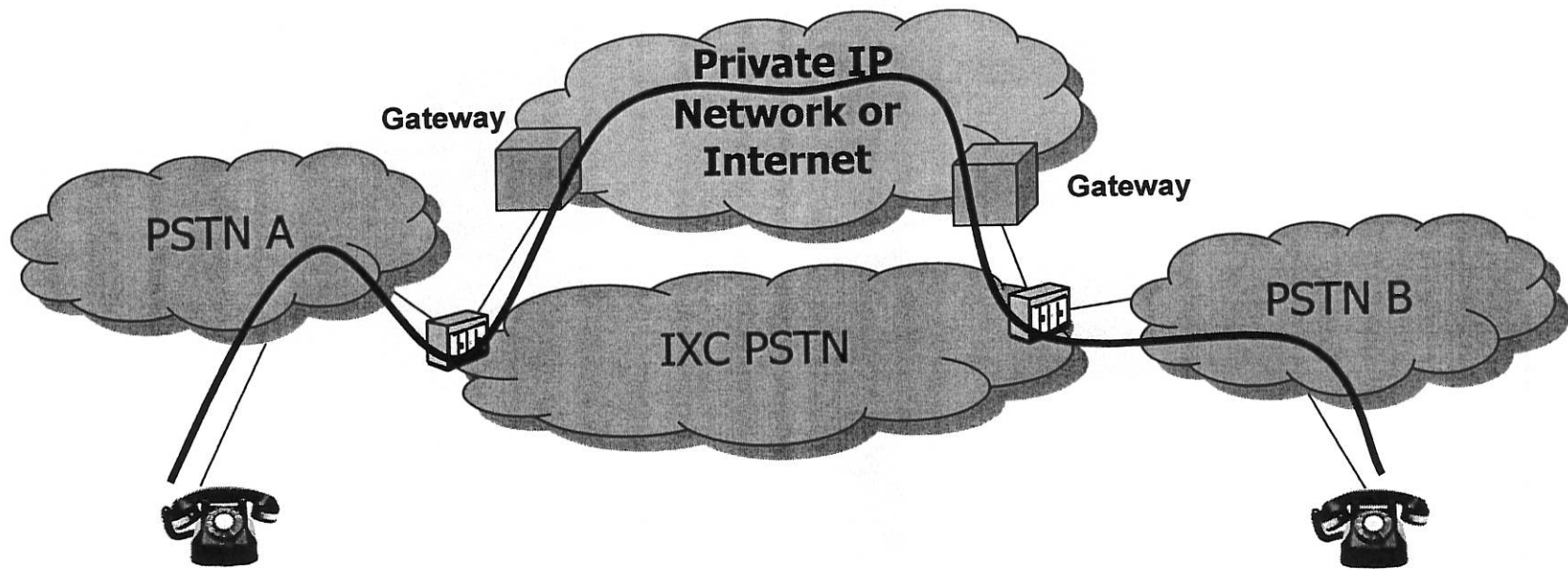


# Consumer VoIP: IP Phone to IP Phone



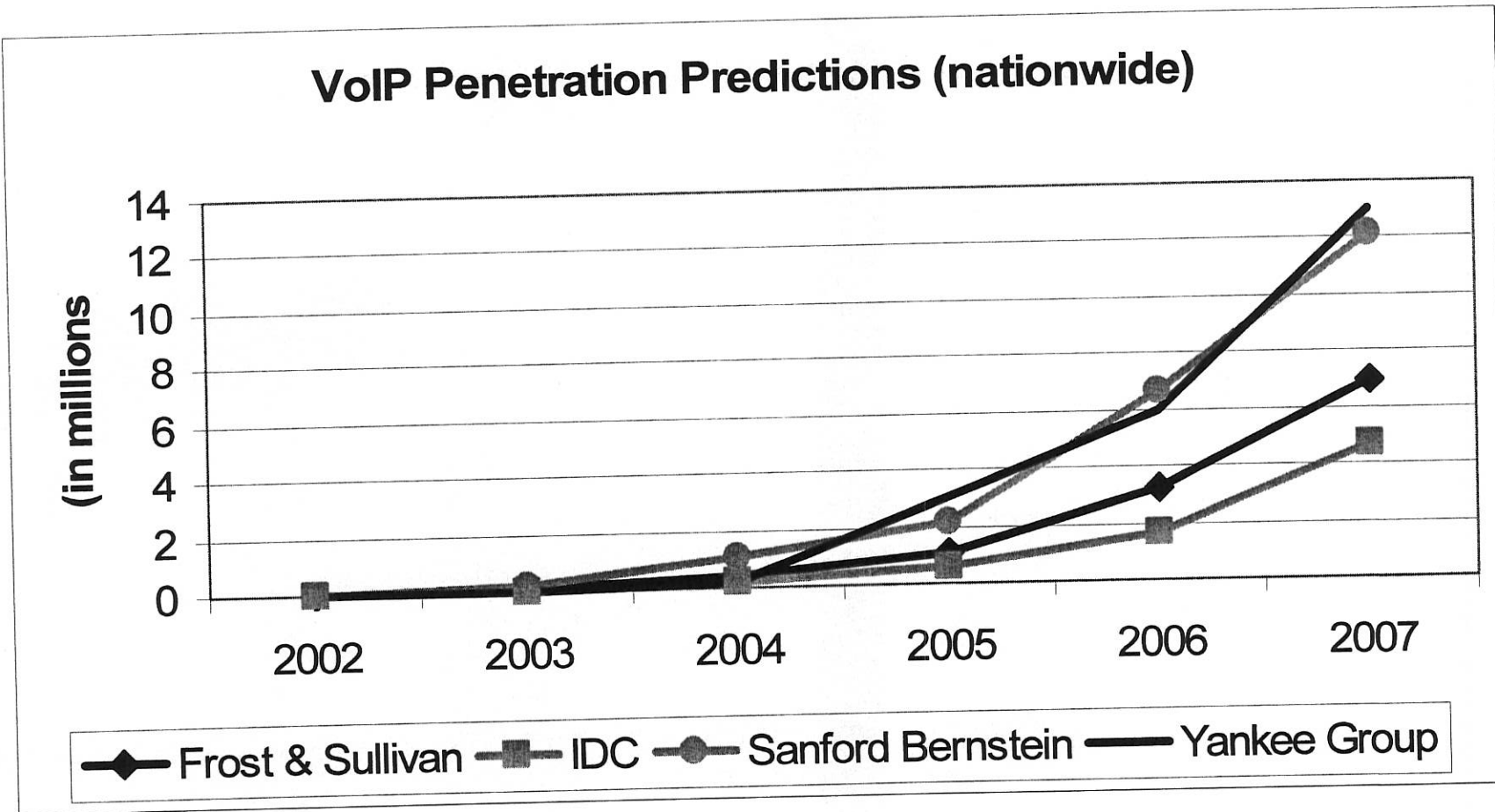
# Consumer VoIP: PSTN Calls with VoIP Inter-working

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# VoIP: Industry Penetration Projections

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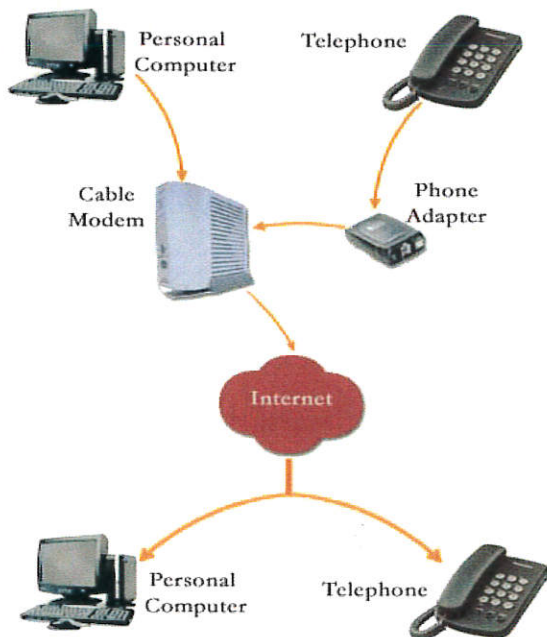


### Background

Internet Voice, also known as Voice over Internet Protocol (VoIP), is a technology that allows you to make telephone calls using a broadband Internet connection instead of a regular (or analog) phone line. Some services using VoIP may only allow you to call other people using the same service, but others may allow you to call anyone who has a telephone number - including local, long distance, mobile, and international numbers. Also, while some services only work over your computer or a special VoIP phone, other services allow you to use a traditional phone through an adaptor.

### How VoIP / Internet Voice Works

VoIP converts the voice signal from your telephone into a digital signal that travels over the Internet. If you are calling a regular phone number, the signal is then converted back at the other end. Internet Voice can allow you to make a call directly from a computer. If you make a call using a phone with an adaptor, you'll be able to dial just as you always have, and the service provider may also provide a dial tone. If your service assigns you a regular phone number, then a person can call you from his or her regular phone without using special equipment.



### What Kind of Equipment Do I Need?

**A broadband Internet connection is required to make VoIP calls.** Some services allow you to use a regular telephone, as long as you connect it to an adaptor. Some companies allow you to make calls from a computer or a VoIP phone that doesn't require an additional adaptor. If you are calling a regular telephone number, the person you are calling does not need any special equipment, just a phone.

### If I have VoIP Service, Whom Can I Call?

Depending upon your service, you might be limited only to other subscribers to the service, or you may be able to call any phone number, anywhere in the world. The call can be made to a local number, a mobile phone, a long distance, or an international number.

### What Are Some Advantages of VoIP?

Because VoIP is digital, it may offer features and services that are not available with a traditional phone. If you have a broadband Internet connection, you need not maintain and pay the additional cost for a line just to make telephone calls.

### Does My Computer Have to be Turned On?

Not if you are making calls with a phone and adaptor or special VoIP phone, but your broadband Internet connection needs to be active. You can also use your computer while talking on the phone.

(More)



### Is There a Difference Between Making a Local Call and a Long Distance Call?

Some VoIP providers offer their service for free, normally only for calls to other subscribers to the service. Some VoIP providers charge for a long distance call to a number outside your calling area, similar to existing, traditional wireline telephone service. Other VoIP providers permit you to call anywhere at a flat rate for a fixed number of minutes.

Your VoIP provider may permit you to select an area code different from the area in which you live. This means that if your provider charges for long distance, then charges could be based on whether you call within your area code rather than geographic area. It also means that people who call you may incur long distance charges depending on their area code and service.

### Can I Take My Phone Adapter With me When I Travel?

You may be able to use your VoIP service wherever you travel as long as you have a broadband Internet connection available. In that case it would work the same as in your home.

### How Do I Know If I have a VoIP Phone Call?

The phone will ring like any other call.

### Does the FCC Regulate Internet Voice?

The Federal Communications Commission (FCC) has worked to create an environment promoting competition and innovation to benefit consumers. Historically, the FCC has not regulated the Internet or the services provided over it.

(More) ↑  
→

On February 12, 2004, the FCC found that an entirely Internet-based VoIP service was an unregulated information service. On the same day, the FCC began a broader proceeding to examine what its role should be in this new environment of increased consumer choice and what it can best do to meet its role of safeguarding the public interest.

### Additional Considerations

If you're considering replacing your traditional telephone service with VoIP, there are some possible considerations you should be aware of:

- Some VoIP services don't work during power outages and the service provider may not offer backup power;
- It may be difficult for some VoIP services to seamlessly connect with the 911 emergency dispatch center or to identify the location of VoIP 911 callers;
- VoIP providers may or may not offer directory assistance/white page listings.

Aspects of these considerations may change with new development in Internet Voice technology. You should always check with the potential VoIP service provider to confirm any advantages and limitations to their service.

### Where to Go for Additional Information and Assistance

For further information about VoIP, please visit the FCC's Consumer & Governmental Affairs Bureau at [www.fcc.gov/voip](http://www.fcc.gov/voip).

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*For this or any other consumer publication in an accessible format (electronic ASCII text, Braille, large print, or audio), please write or call us at the address or phone number below, or send an e-mail to [FCC504@fcc.gov](mailto:FCC504@fcc.gov).*

*To receive information on this and other FCC consumer topics through the Commission's electronic subscriber service, click on [www.fcc.gov/cgb/emailservlet.html](http://www.fcc.gov/cgb/emailservlet.html).*

*This document is for consumer education purposes only and is not intended to affect any proceeding or cases involving this subject matter or related issues.*

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Federal Communications Commission ■ Consumer & Governmental Affairs Bureau ■ 445 12th St., SW ■ Washington, DC 20554  
1-888-CALL-FCC (1-888-225-5322) ■ TTY: 1-888-TELL-FCC (1-888-835-5322) ■ Fax: 1-866-418-0232 ■ [www.fcc.gov/cgb](http://www.fcc.gov/cgb)

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NEXTEL

For immediate release

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**SPRINT AND NEXTEL TO COMBINE IN MERGER OF EQUALS**

- New company will have superior growth profile, unmatched asset mix, strong margins and highly valuable wireless customer base -
- Will have both national wireless and global IP networks; be competitively well positioned to meet growing demand for bundled and integrated communications solutions -
- Unprecedented opportunity to deliver true IP-based wireless multi-media services -
- Sprint's local telecommunications business expected to be spun off to shareholders of the new company -

OVERLAND PARK, Kan., and RESTON, Va. — December 15, 2004 — Sprint (NYSE: FON) and Nextel Communications, Inc. (NASDAQ: NXTL) today announced that their boards of directors have unanimously approved a definitive agreement for a merger of equals. The combination will create America's premier communications company -- a leading wireless carrier augmented by a global IP network that will offer consumer, business and government customers compelling new broadband wireless and integrated communications services. The new company, which will be called Sprint Nextel, also intends to spin off to its shareholders Sprint's local telecommunications business following the merger.

Sprint and Nextel currently have a combined total equity value of approximately \$70 billion and serve more than 35 million wireless subscribers on their networks and 5 million additional subscribers through affiliates and partners. The two companies, along with their affiliates and partners, operate networks that directly cover nearly 262 million people, more of the U.S. population than any other carrier.

*HOUSE UTILITIES*

DATE: 1-20-05

ATTACHMENT 3



The new company will have a balanced mix of consumer, business and government customers, as well as a strong spectrum position. Sprint Nextel will be well positioned in the fastest-growing areas of the telecommunications industry, including mobile data and push-to-talk services, where Sprint and Nextel are innovators in technology. With Sprint's global Internet network, the new company will be positioned to provide differentiated communications solutions through integrated applications for business and government and new broadband wireless services for consumers.

Sprint Nextel is expected to have the highest average revenue per user (ARPU) in the wireless industry and to be positioned to lead the industry in sustainable revenue growth. Total pro forma revenues for the four quarters ended September 30 for Sprint Nextel were approximately \$40 billion, which includes approximately \$6 billion in revenues generated by the local telecommunications business.

Sprint and Nextel are being valued equally in the merger and their shareholders will each own approximately 50 percent of the new company after the merger. Existing Sprint shares will remain outstanding and each Nextel common share will be converted into new company shares and a small per share amount of cash, with a total value equal to 1.3 shares of Sprint Nextel common stock. The exact stock/cash allocation will be determined at closing of the merger in order to facilitate the spin-off of the local telecommunications business on a tax-free basis. The aggregate amount of the cash payment will not exceed \$2.8 billion. If the stock/cash allocation was calculated today, it is estimated that Nextel shareholders would receive about 1.28 Sprint Nextel shares and about \$0.50 in cash for each Nextel share.

A highly experienced management team will lead the new company. Gary D. Forsee, currently chairman and chief executive officer of Sprint, will become president and chief executive officer of Sprint Nextel. Timothy M. Donahue, currently president and chief executive officer of Nextel, will become chairman of the new company. Together they have a proven track record of leadership and nearly six decades of industry experience. Len Lauer, currently president and chief operating officer of Sprint, will serve as chief operating officer of the new company, and Paul Saleh, currently Nextel's executive vice president and chief financial officer, will serve as chief financial officer of Sprint Nextel. Tom Kelly, executive vice president and chief operating officer at Nextel, will become the new company's chief strategy officer. Barry J. West, Nextel's executive vice president and chief technology officer, will serve as its chief technology officer. Leading the transition teams and serving as co-chief transition officers will be Steve Nielsen, senior vice president – finance at Sprint, and Richard Orchard, Nextel's senior vice president and chief service officer.

The Sprint Nextel Board will consist of 12 directors, six from each company, including two co-lead independent directors, one from Sprint and one from Nextel.

Sprint Nextel will have its executive headquarters in Reston, Va., and its operational headquarters in Overland Park, Kan. The new company's common stock will be listed on the New York Stock Exchange. The merger is expected to close in the second half of



2005 and is subject to shareholder and regulatory approvals, as well as other customary closing conditions.

“This merger positions Sprint Nextel for greater success than either company could have achieved alone,” said Gary Forsee. “The combination of Sprint and Nextel builds strength on strength. It will be a dynamic next-generation communications company, the provider of choice for businesses, government and consumers, and the only U.S. primarily wireless investment opportunity. Nextel is recognized as a leader in profitability, customer loyalty, revenue per customer, push to talk and marketing to businesses and government. Sprint excels in the consumer business and in providing advanced wireless data services and global IP voice and data networks. Together, we will be positioned to provide the high-value, integrated communications solutions customers increasingly demand.”

“We are confident that Sprint Nextel will generate efficiencies that will benefit customers, shareholders and employees. The new company will capitalize on its leadership position in key growth areas, unmatched asset mix, clear technology migration path, brand strength, innovative products and services and talented employees,” said Tim Donahue. “We share compatible cultures built on traditions of innovation and competitiveness. We will have the resources to develop and deploy compelling, differentiated services by unleashing the combined strengths of the two companies, each of which is recognized as a product and network innovator. This is a pro-competitive combination that will provide customer choice and create exciting new opportunities for all of our constituencies.”

### **Overview of Synergies**

The combined Sprint Nextel is expected to deliver operating cost and capital investment synergies with an estimated net present value of more than \$12 billion. These synergies will be derived primarily from:

- Saving network operating expenses by reducing the number of cell sites and switches.
- Reducing overall capital expenditures by extending the advantages of Sprint’s current deployment of next-generation EV-DO technology to the combined customer base, including migration of Nextel’s push to talk services to CDMA.
- Migrating Nextel backhaul and other telecommunications traffic to Sprint’s long haul infrastructure.
- Optimizing customer care, billing and IT costs by consolidating operations, infrastructure support costs and overhead while maintaining high quality services.
- Reducing combined sales and marketing costs.
- Lowering overall general and administrative costs.
- Reducing network capital expense after the merger by building a true IP-based multimedia network.



In addition to scale efficiencies, customers and shareholders are expected to benefit from revenue synergies derived from extending the scope of existing and future services to a larger customer base.

### **Robust Network Capabilities**

Sprint Nextel will have a clear technology migration path and valuable and extensive network and spectrum assets. The new company will have robust wireless network capabilities, including Nextel's current nationwide 800MHz/iDEN network, Sprint's national 1.9GHz/CDMA network and Sprint's nationwide deployment of wireless EV-DO. Sprint Nextel's plans include migrating over time Nextel services, including push to talk service, to Sprint's CDMA EV-DO network. Sprint Nextel will have the capability to deploy new services on the two companies' 2.5GHz combined spectrum holdings that together cover 85 percent of the households in the top 100 markets. Sprint Nextel will also utilize Sprint's nationwide fiber optic wireline network which extends to 60 metropolitan networks and 37 international fiber points of presence. These combined capabilities are expected to make Sprint Nextel a key partner for the largest content providers, systems integrators, mobile virtual network operators and other new telecommunications entrants to jointly offer the full portfolio of consumer services – voice, data, video, wireline, and wireless – and customized enterprise applications and integrated solutions for business.

### **Customer Benefits**

Sprint Nextel's anticipated deployment of new innovative products will provide additional choices for customers and enable the company to vigorously compete in the marketplace.

For customers, this combination will allow Sprint Nextel to:

- Offer digital wireless service in all 50 states, Puerto Rico and the U.S. Virgin Islands. Sprint Nextel and its affiliates and partners cover a total domestic population of 262 million.
- Provide consumers more choice through investments in wireless multi-media, web browsing, messaging, gaming and music on the go.
- Provide robust integrated wireless and IP-based wireline solutions to business.
- Improve customer service and sales performance through joint capabilities.
- Invest to deploy next-generation wireless data services, bringing new and compelling products to market to benefit consumers and businesses.
- Cost effectively invest to improve wireless network quality and coverage.

### **Affiliates and Partners**

Through its relationship with independent PCS affiliates, Sprint has expanded its wireless footprint into certain areas of the United States. These Sprint affiliates currently serve more than 3 million subscribers. Sprint expects to engage in discussions with the PCS affiliates regarding those relationships in light of the combination with Nextel in order to achieve a mutually beneficial outcome.



The merger may also trigger certain share purchase rights in Nextel's agreement with Nextel Partners Inc., a provider of digital wireless communications services under the Nextel brand name in mid-sized and tertiary U.S. metropolitan areas. Nextel owns about 32 percent of Nextel Partners outstanding stock. The agreement specifies a process that defines the timing for the exercise of those rights by Nextel Partners and for determining a price, which is predicated on fair market value at the time the purchase right triggers, under which Nextel would purchase the Nextel Partners shares it does not own. Sprint Nextel will analyze this at the appropriate time in the context of the merger process. In certain circumstances, the process for determining the purchase price under which Nextel would acquire the Nextel Partners shares would extend for a substantial period of time after completion of the merger.

### **Spin-Off of Local Telecommunications: A Stronger Future**

Following the close of the merger, Sprint Nextel intends to separate Sprint's local telecommunications business, including consumer, business and wholesale operations from its other businesses and then spin this separated company off to the Sprint Nextel shareholders in a transaction that is expected to be tax free. The inclusion of Sprint's North Supply business in the spin-off will be determined at a later date.

The local telecommunications business will have its own management team and board of directors, consisting of an equal number of designees from Sprint and Nextel. The local telecommunications business, which has 7.7 million local access lines in 18 states and had revenues of more than \$6 billion over the past four quarters, will be the largest independent local telephone company in the United States. It will have commercial operating relationships with Sprint Nextel for mobile and long-distance network services and will receive certain transitional services, including corporate support functions. Its corporate headquarters will be in Kansas City. Completion of the spin-off is subject to certain conditions, including regulatory approvals. Following the spin-off, its common stock is expected to be listed on the New York Stock Exchange.

"Sprint's local telephone operation has a long history of strong financial performance," Forsee said. "It operates in some of the fastest growing areas in the United States, and has been an innovative leader in the development and sale of bundled service offerings. With its strong management team and employee base, it is well positioned to meet the needs of its customers."

Sprint expects to continue to pay dividends at current levels through the closing of the merger. The spun off local telecommunications business is expected to pay quarterly dividends consistent with its financial prospects. Following the completion of the merger and until completion of the spin-off, it is contemplated that Sprint Nextel will pay a reduced quarterly dividend to shareholders in amounts consistent with the dividends that the spun-off local telecommunications business expects to pay. Following completion of the spin-off, it is anticipated that Sprint Nextel will cease paying dividends.



## Information about Today's Meeting and Conference Call for the Investment Community

A meeting and conference call to discuss the transaction will be held this morning at 9:00 a.m. EST/8:00 a.m. CST. Gary Forsee and Tim Donahue will make a presentation and take questions at the St. Regis Hotel, 2 East 55 Street, New York. For dial-in access to the meeting call one of: 1-816-650-0895, 1-816-650-0900, 1-866-311-1391, or 1-866-262-9306 with the passcode 34018148. The call will also be available via webcast, accessible at [www.sprint.com](http://www.sprint.com) or [www.nextel.com](http://www.nextel.com).

Satellite information for transmission of today's meeting:

Satellite - Galaxy 11

Transponder - 15

Orbital Slot - 91 Degrees West

Downlink Frequency - 12003 Mhz (Horizontal) Audio Subcarriers - 6.2/6.8 Mhz

B-roll footage will also be available immediately preceding and following the transmission of the meeting.

A slide presentation and live audio webcast of the call, as well as other facts and information related to the transaction, will be available and archived at [www.sprintnextel.mergerannouncement.com](http://www.sprintnextel.mergerannouncement.com)

### **About Sprint**

Sprint is a global integrated communications provider serving more than 26 million customers in over 100 countries. With more than \$26 billion in annual revenues in 2003, Sprint is widely recognized for developing, engineering and deploying state-of-the-art network technologies, including the United States' first nationwide all-digital, fiber-optic network and an award-winning Tier 1 Internet backbone. Sprint provides local communications services in 39 states and the District of Columbia and operates the largest 100-percent digital, nationwide PCS wireless network in the United States.

### **About Nextel**

Nextel, a FORTUNE 200 company based in Reston, Va., is a leading provider of fully integrated wireless communications services and has built the largest guaranteed all-digital wireless network in the country covering thousands of communities across the United States. Today 95 percent of FORTUNE 500 companies are Nextel customers. Nextel and Nextel Partners Inc. currently serve 297 of the top 300 U.S. markets where approximately 259 million people live or work.

### **Advisors**

Sprint's financial advisors for the transaction were Lehman Brothers Inc. and Citigroup Global Markets Inc.; its principal legal advisors were Cravath, Swaine & Moore LLP and



King & Spalding LLP. Nextel's financial advisors were Goldman Sachs & Co., Lazard Freres & Co. and JP Morgan Securities Inc., and its principal legal advisors were Jones Day and Paul, Weiss, Rifkind, Wharton & Garrison.

### **Forward Looking Statements**

A number of the matters discussed in this press release that are not historical or current facts deal with potential future circumstances and developments, in particular, information regarding the new company, including expected synergies resulting from the merger of Sprint and Nextel, combined operating and financial data, future technology plans and whether and when the transactions contemplated by the merger agreement will be consummated. The discussion of such matters is qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from actual future experience involving any one or more of such matters. Such risks and uncertainties include: the failure to realize capital and operating expense synergies; the result of the review of the proposed merger by various regulatory agencies, and any conditions imposed on the new company in connection with consummation of the merger; approval of the merger by the stockholders of Sprint and Nextel and satisfaction of various other conditions to the closing of the merger contemplated by the merger agreement; and the risks that are described from time to time in Sprint's and Nextel's respective reports filed with the SEC, including each company's annual report on Form 10-K for the year ended December 31, 2003 and quarterly report on Form 10-Q for the quarter ended September 30, 2004 as such reports may have been amended. This press release speaks only as of its date, and Sprint and Nextel each disclaims any duty to update the information herein.

### **Additional Information and Where to Find It**

In connection with the proposed transaction, a registration statement on Form S-4 will be filed with the SEC. SPRINT AND NEXTEL SHAREHOLDERS ARE ENCOURAGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE JOINT PROXY STATEMENT/ PROSPECTUS THAT WILL BE PART OF THE REGISTRATION STATEMENT, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER. The final joint proxy statement/prospectus will be mailed to shareholders of Sprint and shareholders of Nextel. Investors and security holders will be able to obtain the documents free of charge at the SEC's web site, [www.sec.gov](http://www.sec.gov), from Sprint Investor Relations at Sprint Corporation – Investor Relations, 6200 Sprint Parkway, Overland Park, Kansas 66251 or call 800-259-3755, Option 1 or from Nextel Investor Relations at Nextel Investor Relations 2001 Edmund Halley Drive, Reston, Virginia 20191 or call 703-433-4300.

### **Participants In Solicitation**

Sprint, Nextel and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the merger. Information concerning Sprint's participants is set forth in the proxy statement dated, March 16, 2004, for Sprint's 2004 annual meeting of shareholders as filed with the SEC on Schedule 14A. Information concerning Nextel's participants is set forth in the proxy statement, dated April 2, 2004, for Nextel's 2004



annual meeting of shareholders as filed with the SEC on Schedule 14A. Additional information regarding the interests of participants of Sprint and Nextel in the solicitation of proxies in respect of the merger will be included in the registration statement and joint proxy statement/prospectus to be filed with the SEC.

# # #

NS/JA  
Dec. 15, 2004  
5:30 a.m. Central





**Sprint Nextel: Creating America's Premier Communications Company**

| <p><b>Strategic Rationale</b></p>                            | <ul style="list-style-type: none"> <li>Combination of Sprint Nextel will create America's premier communications company -- a leading wireless carrier augmented by a global IP network that will offer consumer, business and government customers compelling new broadband wireless and integrated communications services.             <ul style="list-style-type: none"> <li>Superior growth profile and asset mix, strong margins, and highly valuable wireless customer base.</li> <li>35 million wireless subscribers on their networks, plus 5 million through affiliates and partners - a balanced mix of consumer, business, and government customers – expected to have the highest ARPU in the industry and be positioned to lead the industry in sustainable growth.</li> <li>Clear technology migration path and valuable and extensive network and spectrum assets.</li> </ul> </li> <li>Ability to leverage global internet network to provide bundled solutions, expected to make Sprint Nextel a key partner for the largest content providers, system integrators, MVNOs and other new telecommunications entrants.</li> <li>Highly qualified management team committed to smooth integration of companies with compatible cultures built on traditions of innovation and competitiveness.</li> <li>Expected to deliver operating cost and capital investment synergies with an estimated net present value of more than \$12 billion.</li> <li>Sprint Nextel intends to spin off to its shareholders Sprint's local telecommunications business which will be the nation's largest independent local telephone company.</li> </ul> |               |                 |                     |                 |                     |                              |                   |      |      |             |  |      |      |      |     |   |       |       |        |       |
|--|--|---------------|-----------------|---------------------|-----------------|---------------------|------------------------------|-------------------|------|------|-------------|--|------|------|------|-----|---|-------|-------|--------|-------|
| <p><b>Customer Benefits</b></p>                              | <p>Combination will allow Sprint Nextel to:</p> <ul style="list-style-type: none"> <li>Offer digital wireless service in all 50 states, Puerto Rico and the U.S. Virgin Islands. Sprint Nextel and their affiliates and partners cover a total domestic population of 262 million.</li> <li>Provide consumers more choice through investments in wireless multi-media, web browsing, messaging, gaming and music on the go.</li> <li>Provide robust integrated wireless and IP-based wireline solutions to business.</li> <li>Improve customer service and sales performance through joint capabilities.</li> <li>Invest to deploy next-generation wireless data services, bringing new and compelling products to market to benefit consumers and businesses.</li> </ul>  |               |                 |                     |                 |                     |                              |                   |      |      |             |  |      |      |      |     |   |       |       |        |       |
| <p><b>Transaction Summary</b></p>                            | <p><b>Deal Structure:</b> \$71 billion stock for stock merger of equals</p> <p><b>Consideration:</b></p> <ul style="list-style-type: none"> <li>Sprint and Nextel shareholders each to own ½ of Sprint Nextel</li> <li>Sprint shares will be Sprint Nextel shares</li> <li>Nextel shareholders receive value equivalent to 1.3 shares of Sprint Nextel</li> </ul> <p><b>Required Approvals:</b> Shareholders, FCC, DOJ, state PUCs</p> <p><b>Expected Close:</b> Second half 2005</p> <p>After closing, taxfree spin off of Sprint Local to Sprint Nextel shareholders</p>   |               |                 |                     |                 |                     |                              |                   |      |      |             |  |      |      |      |     |   |       |       |        |       |
| <p><b>Key Metrics</b></p>                                    | <table border="1"> <thead> <tr> <th></th> <th><i>Sprint</i></th> <th><i>Nextel</i></th> <th><i>Combined</i></th> <th><i>Sprint Local</i></th> </tr> </thead> <tbody> <tr> <td><b>Subscribers (million)</b></td> <td>20.1<sup>1</sup></td> <td>15.3</td> <td>35.4</td> <td>7.7 (lines)</td> </tr> <tr> <td><b>Last 12 Months (LTM) Revenue ending 9/30/04 (billion)</b></td> <td>\$27</td> <td>\$13</td> <td>\$34</td> <td>\$6</td> </tr> <tr> <td><b>LTM OIBDA ending 9/30/04 (billion)</b></td> <td>\$8.1</td> <td>\$5.0</td> <td>\$10.2</td> <td>\$2.9</td> </tr> </tbody> </table>  |               | <i>Sprint</i>   | <i>Nextel</i>       | <i>Combined</i> | <i>Sprint Local</i> | <b>Subscribers (million)</b> | 20.1 <sup>1</sup> | 15.3 | 35.4 | 7.7 (lines) | <b>Last 12 Months (LTM) Revenue ending 9/30/04 (billion)</b> | \$27 | \$13 | \$34 | \$6 | <b>LTM OIBDA ending 9/30/04 (billion)</b> | \$8.1 | \$5.0 | \$10.2 | \$2.9 |
|  | <i>Sprint</i>  | <i>Nextel</i> | <i>Combined</i> | <i>Sprint Local</i> |                 |                     |                              |                   |      |      |             |  |      |      |      |     |   |       |       |        |       |
| <b>Subscribers (million)</b>                                 | 20.1 <sup>1</sup>  | 15.3          | 35.4            | 7.7 (lines)         |                 |                     |                              |                   |      |      |             |  |      |      |      |     |   |       |       |        |       |
| <b>Last 12 Months (LTM) Revenue ending 9/30/04 (billion)</b> | \$27   | \$13          | \$34            | \$6                 |                 |                     |                              |                   |      |      |             |  |      |      |      |     |   |       |       |        |       |
| <b>LTM OIBDA ending 9/30/04 (billion)</b>                    | \$8.1  | \$5.0         | \$10.2          | \$2.9               |                 |                     |                              |                   |      |      |             |  |      |      |      |     |   |       |       |        |       |
| <p><b>Sprint Nextel Corporate Governance</b></p>             | <p><i>Chairman:</i> Timothy M. Donahue</p> <p><i>President &amp; Chief Executive Officer:</i> Gary D. Forsee</p> <p><i>Chief Financial Officer:</i> Paul Saleh</p> <p><i>Chief Operating Officer:</i> Len Lauer</p> <p><i>Chief Strategy Officer:</i> Tom Kelly</p> <p><i>Chief Technology Officer:</i> Barry J. West</p> <p><i>12-member Board, equal representation; two co-lead independent directors</i></p> <p><i>Executive headquarters:</i> Reston, VA; <i>Operational headquarters:</i> Overland Park, KS</p>  |               |                 |                     |                 |                     |                              |                   |      |      |             |  |      |      |      |     |   |       |       |        |       |

(Please see reverse for important information)

<sup>1</sup> Includes 17.3mm direct customers and 2.8mm wholesale customers

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**Forward Looking Statements.** A number of the matters discussed in this message that are not historical or current facts deal with potential future circumstances and developments, in particular, information regarding the new company, including expected synergies resulting from the merger of Sprint and Nextel, combined operating and financial data, future technology plans, and whether and when the transactions contemplated by the merger agreement will be consummated. The discussion of such matters is qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from actual future experience involving any one or more of such matters. Such risks and uncertainties include: the failure to realize capital and operating expense synergies; the result of the review of the proposed merger by various regulatory agencies, and any conditions imposed on the new company in connection with consummation of the merger; approval of the merger by the stockholders of Sprint and Nextel and satisfaction of various other conditions to the closing of the merger contemplated by the merger agreement; and the risks that are described from time to time in Sprint's and Nextel's respective reports filed with the SEC, including each company's annual report on Form 10-K for the year ended December 31, 2003 and quarterly report on Form 10-Q for the quarter ended September 30, 2004 as such reports may have been amended. This message speaks only as of its date, and Sprint and Nextel each disclaims any duty to update the information herein.

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Dec. 15, 2004

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## Sprint News

### General Q&As

12/15/2004

#### Q. What was announced today?

A. Sprint and Nextel agreed to combine companies in a merger of equals. The new company – called Sprint Nextel – intends to spin off Sprint's local telecommunications business to shareholders, after the merger is complete.

#### Q. Why does this deal make sense?

A. This merger positions Sprint Nextel for greater success than either company could have achieved alone. This gives us the size and scale to go after our two largest competitors – Cingular and Verizon.

Together, Sprint and Nextel serve more than 35 million wireless customers on their networks and 5 million additional customers through affiliates and partners. Sprint Nextel would have more than 20,000 retail locations and operate networks that directly cover 262 million people in the U.S. – more than any other U.S. carrier. Additionally, Sprint Nextel will be well-positioned in the fastest-growing areas of the telecommunications industry including mobile data and push-to-talk where Sprint and Nextel are innovators in technology.

#### Q. Who will lead the new company?

A. Gary Forsee, currently chairman and chief executive officer of Sprint, will become president and chief executive officer of Sprint Nextel and Tim Donahue, currently president and chief executive officer of Nextel, will become executive chairman of the new company.

- Len Lauer, currently president and chief operating officer of Sprint, will serve as chief operating officer of the new company,
- Paul Saleh, currently Nextel's executive vice president and chief financial officer, will serve as chief financial officer of Sprint Nextel.
- Tom Kelly, executive vice president and chief operating officer at Nextel, will become the new company's chief strategy officer.
- Barry J. West, Nextel's executive vice president and chief technology officer, will serve as chief technology officer.
- Leading the transition teams and serving as lead integration officers will be Steve Nielsen, senior vice president – finance at Sprint, and Richard Orchard, Nextel's senior vice president and chief service officer.

#### Q. Who will lead the new local company?

A. Decisions on the management team for the spun-off local business has not been made. Until a permanent leadership team is named, the existing leadership of Sprint's local business will continue operations to deliver its strategic plan. Mike Fuller and his team, of course, will be critical players in the selection of the permanent team.

#### Q. How will the merger affect me as a Sprint employee?

A. It is too early to know the impact on employees. For the near term, the merger will have no effect on your current compensation, benefits and employee policies which will remain in place until the expected close of the merger in the second half of 2005. Associates should focus on Sprint's 2005 strategies and initiatives, as they begin the new year. Throughout the year, we will keep you advised of developments as we have information to share.

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**Q. How many total employees will the combined company have?**

A. Sprint currently has 60,000 employees, about 18,000 of which work in or are dedicated to the local division. Nextel currently has 19,500 employees.

**Q. Will there be layoffs at Sprint and Nextel?**

A. We expect that there will be force reductions over time to eliminate duplications and redundancies.

Time is needed to determine the new company's operations and needs. During the approval process, both companies will continue to operate as normal.

The transition process is expected to be lengthy as the merged companies bring together networks and systems. Through it all, employees can expect that the new company will be transparent with its plans, will solicit input from employees on the transition process and will treat all employees with the utmost respect.

**Q. What does it mean that "executive headquarters" will be in Reston and "operational headquarters" will be in Overland Park?**

A. Sprint Nextel's executive chairman and CEO will both be based in Reston. The chief operating officer will be based in Overland Park. The CEO also will retain an office in Overland Park. Details regarding which specific functions and positions will be based in each of the two cities will be decided during the integration planning process.

**Q. Will employees be required to relocate or given the opportunity to do so?**

A. Some employees may be asked to relocate after the merger closing date. However, no relocations will occur before the closing date of the merger, which is expected in the second half of 2005.

**Q. When will the integration process begin?**

A. Transition planning has already begun with the announcement of Steve Nielsen – Sprint's senior vice president of Finance, and Richard Orchard – Nextel's senior vice president and chief service officer as leaders of the integration effort. Teams comprised of subject matter experts from both companies will be involved to provide a smooth transition.

**Q. Which company's benefits will be provided to Sprint Nextel employees? When will that change occur? What will Sprint Nextel's benefits package consist of?**

A. While there may be differences in some of the benefits, preliminary review shows many benefit plans of Sprint and Nextel are quite similar. It is anticipated that Sprint Nextel will offer a mix of benefits that may include elements from the current Sprint and Nextel programs. This is one of the important issues that transition team members from Sprint and Nextel will be working to decide for Sprint Nextel.

**Q. What happens to the Sprint 2005 MIP payout (paid in 2006 for 2005 performance) if the merger closes mid-year in 2005?**

A. We will announce 2005 MIP objectives in the first quarter of 2005 and those objectives will remain in place at least through the merger close and possibly beyond.

**Q. How does this transaction impact Sprint stock options and their valuation?**

A. Sprint stock options are unaffected by the proposed Sprint and Nextel transaction. Sprint stock option holders will continue to retain their Sprint stock options in the same form after the transaction as before.

**Q. Will unvested Sprint stock options have accelerated vesting schedules? If not, why?**

A. Unvested Sprint stock options, restricted stock, and restricted stock units will not accelerate vesting as the transaction does not constitute a change in control, per the definition within the equity plans.

**Q. Will an employee's years of service remain the same?**

A. Yes. Sprint Nextel will recognize the service rendered to Sprint by Sprint employees and to Nextel by Nextel employees.

**Q. Are there restrictions for communicating with employees of the other company?**

A. There will be more guidance on communicating with Nextel employees as the transition planning process evolves. However, until the merger closes, both companies will vigorously compete for and serve their respective customers. If you have any

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questions or concerns about communicating with any Nextel employee, you should contact the Sprint Ethics Helpline at (800) 788-7844 for clarification.

**Q. There were some Sprint senior executives not named in today's announcement. What will happen to these executives?**

A. Today's announcement names a limited number of executives for Sprint Nextel. Executives not named today will be included as the executive selection process continues over the next several months. In the meantime, all Sprint leader continue in their current roles.

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Will have both national wireless and global IP networks; be competitively well positioned to meet growing demand for bundled and integrated communications solutions –

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Corporate Webmaster | Corporate.Webmaster@mail.sprint.com

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## Sprint News

### LTD Q&As

12/15/2004

**Q. Why spin off the local telecommunications business?**

A. The planned spin off eliminates any tension between Sprint Nextel's strategies to displace local access lines through wireless substitution and through partnerships with content providers, which conflict with the local business's prime mission to defend against local access line erosion. Creating two companies with distinct strategies allows both companies to pursue those strategies without conflict.

**Q. How will the planned spin-off of the local telecommunications business occur?**

A. Following the close of the merger, Sprint Nextel intends to separate Sprint's local telecommunications business, including consumer, business and wholesale operations, from its other businesses and then spin off this separated company to the Sprint Nextel shareholders in a transaction that is expected to be tax free. The inclusion of Sprint's North Supply business in the spin off will be determined at a later date.

It will have commercial operating relationships with Sprint Nextel for mobile and long distance network services and will receive certain transitional services, including corporate support functions.

Its corporate headquarters will be in Kansas City. Completion of the spin off is subject to certain conditions, including regulatory approvals. Following the spin off, its common stock is expected to be listed on the New York Stock Exchange.

**Q. What dividend will be offered to the local telecommunications company shareholders?**

A. Sprint expects to continue to pay dividends at current levels through the closing of the merger. The spun off local telecommunications business is expected to pay quarterly dividends consistent with its financial prospects. Following the completion of the merger and until completion of the spin-off, it is contemplated that Sprint Nextel will pay a reduced quarterly dividend to shareholders in amounts consistent with the dividends that the spun off local telecommunications business expects to pay. Following completion of the spin-off, it is anticipated that Sprint Nextel will cease paying dividends.

**Q. Who will lead the new local company?**

A. Decisions on the management team for the spun-off local business has not been made. Until a permanent leadership team is named, the existing leadership of Sprint's local business will continue operations to deliver its strategic plan. Mike Fuller and his team, of course, will be critical players in the selection of the permanent team.

**Q. What will the new local telecommunications company be called?**

A. The new local telecommunications company will take on a new company name which has yet to be determined. The new organization will be a stand-alone entity with its own stock, debt, dividend and income statement. The principle we are operating under is to reconstitute the consumer, business and wholesale operations that were split up during Sprint's recent transformation. Additionally, stand-alone corporate functions will be created as part of the new company to handle HR, finance, IT, legal, regulatory and other functions that are currently shared among all Sprint divisions.

**Q. When will the spin-off occur?**

A. Under the terms of the agreement between Sprint and Nextel, the merger must close before the spin-off occurs. Closing the overall merger could take anywhere from six to nine months. After the overall merger is completed, it could take another six to nine

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months to complete the spin-off transaction. So, in total, it could take as long as 15 months to complete the spin-off, or roughly by March of 2006.

**Q. Are there any plans to expand or sell-off access lines?**

A. There are currently no plans to buy additional or sell-off access lines as a result of this transaction.

**Q. With its relatively small scale, doesn't the new company become a natural acquisition target?**

A. The local telecommunications company would become the fifth largest local exchange carrier (LEC) in the nation, and the largest independent local provider, significantly larger than the vast majority of LECs in the country. The local telecommunications company plans to operate as a stand alone entity after the spin transaction, growing its business by bundling wireless, data and video services with its core businesses.

**Q. Will the new company's headquarters be based on Sprint's campus?**

A. The local telecommunications company will be headquartered in the Kansas City metropolitan area. A specific decision on where the local telecommunications company will be headquartered within the Kansas City area will be determined in the coming months.

**Q. What happens to Sprint North Supply?**

A. It has not yet been determined if Sprint North Supply will be spun off as a part of the local telecommunications company.

**Q. From a product portfolio perspective, will the new company still be selling bundles of long distance, wireless and local from the same company?**

A. The local telecommunications company will be an autonomous, fully capable business engaged in marketing a complete bundle of communications services, including: wireline voice and data services, wireless voice and data services and video services.

**Q. In competitive markets, how will the new company be able to differentiate itself from the competition now that it will have to contract with other entities for services other than local?**

A. The local telecommunications company will continue to differentiate itself by offering a complete set of high quality communication services, including voice, data, and video, on one bill, from one point of contact. No other carrier can provide the breadth of services that the local telecommunications company will offer. The local telecommunications company will enter into commercial agreements with Sprint Nextel to provide long distance and wireless services.

**Q. Isn't local telecom a declining business? What is the realistic market share an ILEC can expect to retain giving growing competition from cable and other providers?**

A. The communications business is a large and growing market, with growth in video, wireless and internet services outpacing the local and long distance segments. Sprint's local telephone business plans to grow share of wallet in these growth segments while vigorously defending share of the local and long distance businesses. In fact, for some time, Sprint's local business has been positioning itself to minimize the impact from cable and wireless competitors by offering compelling bundles of voice, data and video services. Unlimited long distance plans, attractively priced DSL offerings and integrated wireless and wireline services are just a few of the products featured in LTD bundles, all of which promote wireline retention and reduce churn. This extends the current strategy of LTD.

**Q. What planning process will be followed to develop answers to the questions we cannot answer today?**

A. As you might expect at this stage of completing a deal of this size, many specific questions remain to be answered. Planning for the spun-off local business will begin in earnest upon announcement of the merger. A transition leader and team will be named and will begin to address commercial and transition services issues as well as how we will reconstitute the local division. This process will take many months to complete and we will keep you apprised of our progress along the way.

**Employee cultural issues**

**Q. How will the spin-off affect me as an employee of the local telecommunications division?**

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A. It is too early to know the impact on employees. For the near term, the spin-off will have no effect on your current compensation, benefits and employee policies. Associates should focus on Sprint's 2005 strategies and initiatives, as they begin the new year. Throughout the year, we will keep you advised of developments as we have information to share.

**Q. Are layoffs anticipated? When? How many?**

A. As the fifth largest ILEC in the United States, the local telecommunications company will offer meaningful career opportunities to its employees. It is expected that new positions will need to be created to staff functions currently shared with other Sprint divisions. Specific decisions on organizational design of the new company have yet to be made.

**Q. Will an employee's years of service at Sprint be recognized by the new company?**

A. Yes. The new company will recognize the service rendered to Sprint by Sprint employees.

**Q. Will employees with stock options/restricted stock in Sprint receive accelerated vesting due to the spin-off of the local telecommunications business?**

A. No. The spin-off of the local telecommunications business from Sprint Nextel to the new local telecommunications company does not constitute a change in control under the Sprint stock option plan.

**Q. What happens to the existing union agreements in place with the Sprint local telecommunications business when the new company is formed? Do those agreements have to be completely re-negotiated or, do the agreements remain in place until the next contract negotiations?**

A. All of the existing collective bargaining agreements are between either the Communications Workers of America (CWA) or the International Brotherhood of Electrical Workers (IBEW) and a Sprint subsidiary, not Sprint. Each agreement is binding on the successor Sprint subsidiaries. Therefore, each of the existing collective bargaining agreements will remain in force.

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Will have both national wireless and global IP networks; be competitively well positioned to meet growing demand for bundled and integrated communications solutions –

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> SERVICES

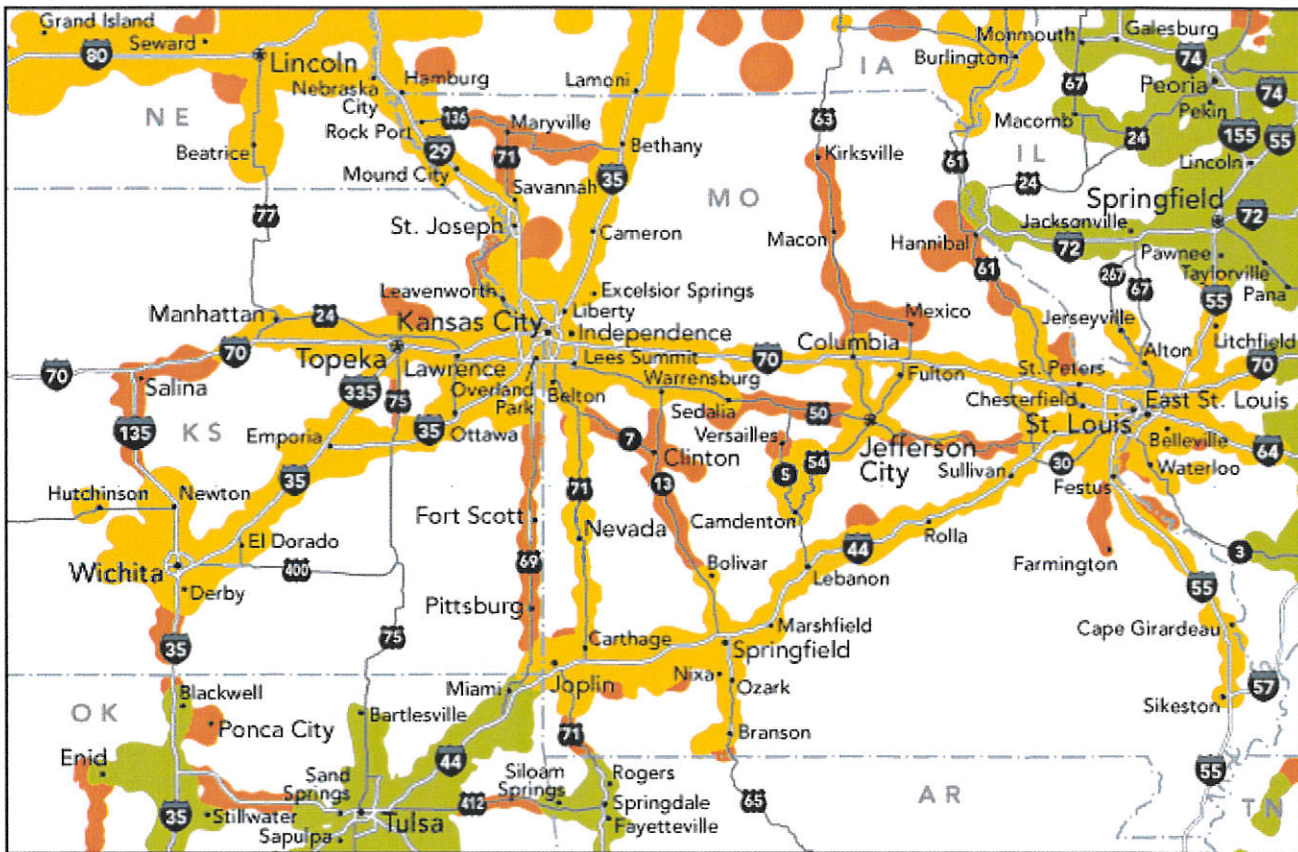
## St. Louis Area Coverage Map

Coverage shown on the coverage maps is a general prediction of outdoor coverage, and does not guarantee that coverage will be available at all covered geographic areas at all times. Wireless coverage is impacted by, among other things, terrain, weather, antenna location, system modification, foliage and man-made structures (such as buildings), and therefore cannot be predicted precisely at all times.

Digital Cellular and local walkie-talkie coverage (approximate)

Digital Cellular and coast-to-coast walkie-talkie coverage

Estimated Future Coverage



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