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December 9, 2005

Via Hand Delivery

Chairman Ron Jones
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243
Attention: Sharla Dillon

Re: Direct Testimony of Debbie Goldman and Accompanying Exhibits
Docket No. 05-00240

Dear Chairman Jones:

On December 7, 2005, I filed the Direct Testimony of Debbie Goldman on behalf of Communications Workers of America, AFL-CIO and the accompanying Exhibits to her testimony. I filed a confidential version and a public version. I was advised this morning by Ed Phillips, counsel for Sprint Nextel Corporation, that Ms. Goldman's testimony contains one reference to information which is confidential. CWA inadvertently failed to mark this information as confidential on the confidential version and inadvertently included the confidential information in the public version of her testimony. Ms. Goldman's public testimony has already been placed on the TRA website.

I have enclosed for filing corrected originals and thirteen copies of the confidential version and public version of the Direct Testimony of Debbie Goldman on behalf of Communications Workers of America, AFL-CIO and the accompanying Exhibits with the confidential information identified in the confidential version and the confidential information redacted from the public version. Please replace the public version filed on December 7, 2005, which is on the TRA website with the corrected public version filed with this letter. The corrected confidential version is being filed under seal in a separate envelope and should be afforded the usual protections pursuant to the terms of the Protective Order entered on November 9, 2005. Under cover of this letter, copies of both versions of this filing are being served upon counsel for Sprint Nextel Corporation.

An extra copy of this letter and the Direct Testimony of Debbie Goldman on behalf of Communications Workers of America, AFL-CIO and accompanying Exhibits to her testimony are enclosed. Please stamp these extra copies "Filed" and return to me. Should you have questions or concerns with this filing, please do not hesitate to contact me at your convenience.

Sincerely yours,

Donald L. Scholes

DONALD L. SCHOLES

Enclosures

c: Edward Phillips
Debbie Goldman

CWA Statement 1

BEFORE THE
TENNESSEE REGULATORY AUTHORITY

Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company	:	Docket No. 05-00240

DIRECT TESTIMONY
OF
DEBBIE GOLDMAN

On Behalf of

Communications Workers of America

***** PUBLIC VERSION *****

December 7, 2005

Introduction and Summary

Q. Please state your name, business address, employer and position.

A. My name is Debbie Goldman. My business address is 501 Third St. N.W., Washington, D.C. 20001. I am employed as a Research Economist for the Communications Workers of America ("CWA").

Q. Please describe your educational background and work experience.

A. I received a Bachelors Degree in History from Harvard University in 1973, a Masters Degree in Public Policy from the University of Maryland in 1996, and a Masters Degree in Education from Stanford University in 1975. I have been employed as a Research Economist at CWA since 1992. Prior to my current position, I worked at the AFL-CIO, the Service Employees International Union, and the League of Women Voters all in Washington, D.C. In those positions, I was responsible for public policy analysis.

Q. What are the duties and responsibilities of your present position?

A. My primary responsibilities include telecommunications policy analysis and regulatory intervention. I have written more than 55 briefs to the Federal Communications Commission ("FCC") for CWA on all aspects of telecommunications policy. Since 1997, I have intervened on CWA's behalf before the FCC, the U.S. Department of Justice, and state Authority proceedings. I have intervened in 17 merger review proceedings, including the MCI WorldCom/Sprint merger and the Sprint/Nextel merger. I am also responsible for CWA policy analysis of federal and state legislation and regulation on telecommunications issues, and for the development of CWA policy in those areas.

Q. What is the purpose of your testimony?

A. I am presenting testimony on behalf of CWA. My testimony will demonstrate that United Telephone-Southeast, Inc. ("UTSE") and its parent LTD Holding Company ("LTD") will be weaker, more financially constrained entities after their spin-off from Sprint Nextel than before the separation. As a result, LTD and its local subsidiaries including UTSE will have less cash flow at their discretion to operate their business, maintain their networks, and invest in advanced services and infrastructure. The transaction, as currently structured, does not provide any benefits to UTSE consumers and in fact would result in significant harm to UTSE consumers. Therefore, the Authority should not approve the transfer request as filed.

Q. Please summarize the major points of your testimony.

A. First, I will demonstrate that the cash generated by the **{Begin Confidential End Confidential}** in newly issued LTD debt will be used to benefit Sprint Nextel, not LTD and UTSE.

Second, I will discuss the commitment that Gary D. Forsee, President and CEO, and Timothy M. Donahue, Executive Chairman, of Sprint-Nextel made to the Federal Communications Commission ("FCC") to equitably allocate debt and assets at the time of its proposed spin-off. I will demonstrate that the proposed allocation of debt and assets is not fair and equitable.

Third, I will demonstrate that UTSE and its parent LTD will be financially constrained entities after the separation. My testimony will point out significant deficiencies in the financial analysis provided to the Authority by Sprint witnesses Kent

W. Dickerson and Kevin P. Collins. I will point out that Mr. Dickerson fails to incorporate the financial impact of the **{Begin Confidential End Confidential}** principal repayment and the restrictions to be placed on LTD's cash reserves. I will demonstrate that a more complete financial analysis leads to the inevitable conclusion that LTD and its local subsidiaries such as UTSE will be financially weaker after the separation, burdened by restrictions on the debt that will severely limit resources required to grow and to meet changing market circumstances.

Fourth, I will demonstrate that the Applicants provide the Authority with no financial justification for requiring LTD to pay Sprint Nextel for its assets.

Fifth, I will discuss concerns regarding the transfer of pension fund assets.

Sixth, I will discuss the reasons that LTD will be weaker as a stand-alone entity than it was as part of a diversified communications company.

Seventh, I will demonstrate that the service quality provided by UTSE to consumers in recent years has deteriorated due to declining capital investment in the network and reductions in personnel. The situation will likely worsen after the separation of LTD due to the financial constraints under which LTD will operate.

Eighth, I will discuss the lack of any competitive bidding process under which LTD is obliged to contract with Sprint Nextel for re-sale of wireless and long-distance service.

Finally, I will propose conditions that the Authority should impose on this transfer.

$7.25 Billion in LTD Debt

Q. How much debt will LTD have at the time of separation and what will this debt be used for?

A. LTD is expected to have $7.25 billion in debt when the separation is completed. Approximately **{Begin Confidential End Confidential}** of this debt is currently outstanding. The remaining **{Begin Confidential End Confidential}** will be newly issued debt. LTD will use all of the newly issued debt to pay Sprint Nextel for LTD's assets.

Q. Do I understand you correctly? LTD will pay Sprint Nextel for the LTD assets?

A. Yes. The Joint Applicants explain that the **{Begin Confidential End Confidential}** in proceeds from the borrowing will go to Sprint Nextel "in exchange for the assets contributed to the company." LTD will provide Sprint Nextel **{Begin Confidential End Confidential}**. LTD will be responsible for repayment of the **{Begin Confidential End Confidential}** principal plus interest. LTD will not receive any proceeds from the borrowing for its own purposes. CWA Exh. 1 (response to CWA-7); KWD-7; Houlihan p. 12)

Q. On what basis does Sprint Nextel justify making LTD pay for its assets?

A. I have not seen any explanation. I do not see any justification for LTD paying Sprint Nextel for its assets.

Allocation of Debt and Assets

Q. Did Sprint and Nextel make any commitment to the FCC during the course of the FCC's review of the Sprint/Nextel merger regarding the spin-off of Sprint's local telephone division?

A. Yes. Gary D. Forsee, then Chairman and CEO of Sprint and current President and CEO of Sprint Nextel, and Timothy M. Donahue, then President and CEO of Nextel and current Executive Chairman of Sprint Nextel, made a commitment to the FCC that "LTD Holding Company will receive an equitable debt and asset allocation at the time of its proposed spin-off so that the company will be a financially secure, Fortune 500 company." (CWA Exh. 2. Gary D. Forsee, and Timothy M. Donahue Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, Aug. 2, 2005.).

Q. Did the FCC Order approving the Sprint Nextel merger make reference to this commitment?

A. Yes. The FCC's *Memorandum Opinion and Order* approving the Sprint Nextel merger cites the commitments made in the Forsee/Donahue letter that LTD will receive an equitable debt and asset allocation at the time of the local spin-off. The FCC states that "we find that these statements represent commitments by Sprint Nextel that the new local wireline company, LTD Holding Company, will receive an equitable debt and asset allocation at the time of its proposed spin-off so that the company will be a financially secure, Fortune 500 company and that *Sprint Nextel will demonstrate that the new local company will possess the requisite financial strength...to fully perform its public service obligations.*" (emphasis added). The FCC added that it expected that Sprint Nextel's statements were made with full "candor and truthfulness," and therefore the FCC would "award them substantial weight." (CWA Exh. 3, Federal Communications Commission, Memorandum Opinion and Order, In the Matter of Applications of Nextel Communications, Inc. and Sprint Corporation for Consent to transfer Control of Licenses and Authorizations, WT Docket No. 05-63, Aug. 8, 2005 (rel), ¶¶ 182-183.)

Q. Is the LTD asset and debt allocation fair and equitable, and will it provide the requisite financial strength so that LTD will be able to fully perform its public service obligations? Is LTD's proposed capital structure consistent with the commitments that Sprint Nextel made to the FCC?

A. No, it is not. First, let me explain why the asset and debt allocation is not fair and equitable. I show this analysis on CWA Exhibit 5.

The total value of Sprint Nextel's assets as of September 30, 2005 is $101.3 billion (CWA Exh. 4, Sprint Nextel Corporation Securities and Exchange Commission Form 10-Q, dated Sept. 30, 2005). The total value of the assets that Sprint Nextel will allocate to LTD is **{Begin Confidential End Confidential}** (KWD-5). Therefore, LTD will receive approximately **{Begin Confidential End Confidential}** percent of Sprint Nextel's assets at the time of separation (**{Begin Confidential End Confidential}** divided by $101.3 billion equals **{Begin Confidential End Confidential}** percent.)

The total value of Sprint Nextel's long-term debt is $23.5 billion. (CWA Exh. 4, Sprint Nextel Corporation Securities and Exchange Commission Form 10-Q, dated Sept. 30, 2005.) The total value of the debt that LTD will have at separation is $7.25 billion (KWD-5). Therefore, LTD will have approximately 30.9 percent of Sprint Nextel's long-term debt at the time of separation ($7.25 billion divided by $23.5 billion equals 30.9 percent).

To summarize, LTD at separation will have **{Begin Confidential End Confidential}** percent of Sprint Nextel's current assets and 30.9 percent of its debt. This is not a "fair and equitable" allocation of assets and debt.

Q. Is the allocation of shareholders' equity fair and equitable?

A. No, it is not. Let me explain. Shareholders' equity represents the difference between total assets and total liabilities. Sprint Nextel's shareholders' equity as of September 30, 2005 was $51.5 billion (CWA Exh. 4, Sprint Nextel Corporation Securities and Exchange Commission Form 10-Q, dated Sept. 30, 2005). The total value of LTD shareholders' equity at the time of separation will be **{Begin Confidential End Confidential}** (CWA Exh. 14, CWA-20). As I explain later in my testimony, LTD will be a financially weaker entity as a result of its negative shareholders equity.

Q. Is the proposed capital structure allocation fair and equitable?

A. No, it is not. I show the following analysis on CWA Exhibit 6. As I already noted, Sprint Nextel's long-term debt as of September 30, 2005 was $23.5 billion and its shareholders' equity was $51.5 billion. That means that 69 percent of Sprint Nextel's capitalization was equity and 31 percent was long-term debt. [Equity ratio = ($51.5 billion plus $23.5 billion) divided by $51.5 billion equals 69 percent. Debt ratio = ($51.5 billion plus $23.5 billion) divided by $23.5 billion equals 31 percent.]

In comparison, the Local Telephone Division's long-term debt is currently **{Begin Confidential End Confidential}** in long-term debt and capital lease obligations plus **{Begin Confidential End Confidential}** in long-term intercompany debt = **{Begin Confidential End Confidential}**. KWD-5). The Local Telephone Division currently has **{Begin Confidential End Confidential}** in shareholder's equity (KWD-5). Currently, the Local Telephone Division's total capitalization is **{Begin Confidential End Confidential}**, of which **{Begin Confidential End Confidential}** percent is equity (**{Begin Confidential End Confidential}** divided by **{Begin Confidential End Confidential} = {Begin Confidential End Confidential}** percent) and **{Begin Confidential End Confidential}** percent is long-term debt (**{Begin Confidential End Confidential}** divided by **{Begin Confidential End Confidential}** equals **{Begin Confidential End Confidential}** percent).

After the transaction, I adjust Sprint Nextel's equity to reflect an increase of $7.25 billion to reflect the transfer of intercompany debt to LTD and the proceeds from newly issued debt that LTD will transfer to Sprint Nextel. I also adjust Sprint Nextel's equity to reflect the transfer of **{Begin Confidential End Confidential}** in assets to LTD. Thus, Sprint Nextel's post-separation capitalization will be **{Begin Confidential End Confidential}** in equity (**{Begin Confidential End Confidential}** plus $ 7.25 billion minus **{Begin Confidential End Confidential}** equals **{Begin Confidential End Confidential}**). This will result in a capitalization of **{Begin Confidential End Confidential}** percent equity and **{Begin Confidential End Confidential}** percent debt. This is roughly comparable to pre-transaction capital structure for Sprint Nextel of **{Begin Confidential End**

Confidential} percent equity and **{Begin Confidential End Confidential}** percent debt.

In contrast, after the transaction, LTD's capitalization would be $7.25 billion long-term debt and **{Begin Confidential End Confidential}** shareholders' equity (CWA Exh. 8, CWA-20). This translates into a capital structure of about **{Begin Confidential End Confidential}** percent long-term debt and **{Begin Confidential End Confidential}** percent equity. This compares to a pre-transaction LTD capital structure of **{Begin Confidential End Confidential}** percent equity and **{Begin Confidential End Confidential}** percent long-term debt.

Based on this analysis, I conclude that LTD's proposed capital structure is neither fair nor equitable.

Financial Analysis

Q. The Joint Applicants claim LTD will be a financially secure company after the spin-off. Do you agree?

A. No. As the deal is currently structured, LTD will have less financial flexibility to invest in its business and new networks and services and less control in its use of cash after the separation.

Q. Sprint's witness Mr. Kent W. Dickerson claims that LTD will be financially secure after the separation. Why do you disagree with Mr. Dickerson's conclusion?

A. Let me first summarize Mr. Dickerson's financial analysis. Then I will point out the gaps in his analysis.

Mr. Dickerson claims that LTD will have a net increase of **{Begin Confidential End Confidential}** in cash after the separation. Let me explain how he arrives at this number. Mr. Dickerson makes adjustments to LTD's pre-separation financial statements based on his understanding of LTD's capital structure after the separation. See Exhibits KWD 4-7. First, Mr. Dickerson adjusts net income downward by **{Begin Confidential End Confidential}** due to LTD's higher after-tax interest payments on the newly-issued debt. (KWD-4, KWD-7, Dickerson testimony p.11). Second, Mr. Dickerson increases cash by **{Begin Confidential End Confidential}** due to post-separation reduction in dividend payments. (Pre-separation dividend payments to parent of **{Begin Confidential End Confidential}** less post-separation dividend payments to shareholders of **{Begin Confidential End Confidential}** equals **{Begin Confidential End Confidential}** increased cash after separation.) (KWD-6, Dickerson p.14). Third, Mr. Dickerson subtracts the **{Begin Confidential End Confidential}** negative cash adjustment from the **{Begin Confidential End Confidential}** positive cash adjustment to arrive at a figure of **{Begin Confidential End Confidential}** net cash increase after the separation. (KWD-5, KWD-6, Dickerson p. 14-15).

Q. Please explain the gaps in Mr. Dickerson's analysis.

A. Mr. Dickerson fails to make adjustments for LTD repayment of the principal on the newly issued debt. This is particularly puzzling, since Sprint included a **{Begin Confidential End Confidential}** negative adjustment for debt repayment in the cash flow projections it provided to consultants on May 12, 2005. (CWA Exh. 7 (LTD/SpinCo Financial Projections excluding North Supply, Consultant Package, May

12, 2005, p. 2, CWA-4 Item 4C).) Moreover, Mr. Frank Collins from Houlihan Lakey provided Sprint with LTD financial projections indicating a negative cash adjustment for principal repayment (which he called a "revolver repayment") of **{Begin Confidential End Confidential}** in the first year after the spin-off. (CWA Exh. 8 (LTD Holding Company Cash Flow Statement, CWA-20)). Therefore, the correct analysis of the financial impact of the separation of LTD should include a negative cash adjustment for debt repayment between **{Begin Confidential End Confidential}** and **{Begin Confidential End Confidential}** in the first year after separation.

Q. What is the financial impact if you include the negative adjustment for debt repayment?

A. I show my analysis of the financial impact on CWA Exhibit 9. If you include the negative adjustment of between **{Begin Confidential End Confidential}** and **{Begin Confidential End Confidential}** for debt repayment in the financial analysis, the result is that LTD will have a net cash <u>decrease</u> of between **{Begin Confidential End Confidential}** and **{Begin Confidential End Confidential}** after the spin-off. My calculation is as follows: Dickerson's finding of a net cash increase of **{Begin Confidential End Confidential}** minus an adjustment for debt repayment of between **{Begin Confidential End Confidential}** and **{Begin Confidential End Confidential}** equals a net cash decrease between **{Begin Confidential End Confidential}** and **{Begin Confidential End Confidential}**. In sum, as a consequence of LTD's highly leveraged capital structure, LTD will have substantially less cash flow after the spin-off than it does today. This cash flow is needed to operate its business and invest in advanced services and infrastructure.

Q. Would you like to add anything else to support your view that LTD will be a financially weak company after the separation?

A. Yes. In addition to its highly leveraged position, LTD will be constrained by conditions regarding its bank debt and bond debt. These restrictions appear to require that all cash balances above **{Begin Confidential End Confidential}** be used solely to reduce bank debt. (CWA Exh. 10 (Fitch rating from CWA-11); CWA Exh. 11 (Standard & Poor's rating from CWA-11); CWA Exh. 8 (LTD Cash Flow Statement from CWA-20).) **{Begin Confidential End Confidential}** (CWA Exh. 11, p. 3.) Thus, LTD will not have the financial flexibility to respond to changing circumstances that might require it to use its cash differently.

Q. Why is financial flexibility in the use of cash important?

A. Financial flexibility is important because LTD may want to take advantage of unforeseen investment opportunities or potential acquisitions, and may need to use its cash resources differently to adapt to changing market circumstances. Debt capital requires fixed interest payments whereas dividend payments can be modified at the discretion of LTD's future Board of Directors. Natural and/or human disasters could require unanticipated cash resources to maintain the network. The debt, particularly with its restrictions, will significantly decrease the flexibility that management has to grow the company.

Q. How have bond rating agencies reacted to LTD's capital structure?

A. All credit rating agency reports provided by the Applicants have expressed concern about the risk posed by LTD's capital structure because it amplifies LTD's business risk as a stand-alone entity in a wireline industry with deteriorating industry fundamentals. Moody's Investor Service gave LTD an Indicative rating of **{Begin Confidential End Confidential}**. Moody's expressed concern that **{Begin Confidential End Confidential}** (CWA Exh. 12 (Moody's rating from CWA-11).) Standard & Poor's gave LTD a rating on CreditWatch of **{Begin Confidential End Confidential}**. (CWA Exh. 11, p. 2.). In its opinion letter to Sprint, Standard & Poor's cited these weaknesses in LTD's capital structure: **{Begin Confidential End Confidential}** (*Id.*) Fitch Ratings gave LTD an Indicative rating of **{Begin Confidential End Confidential}**. Fitch's low rating reflects concerns that **{Begin Confidential End Confidential}**. (CWA Exh. 10, p. 3.)

Q. How have other analysts reacted to LTD's high-dividend highly leveraged capital structure?

A. Wachovia Securities cautioned Sprint in a March 15, 2005 about such a capital structure. Wachovia Securities wrote **{Begin Confidential End Confidential}** (CWA Exh. 13. (Wachovia presentation to Sprint, p. 11, CWA-24.))

Q. Please explain Wachovia's concerns.

A. Wachovia is making the same point that I made earlier regarding LTD's diminished financial flexibility. LTD may not be able to take advantage of business opportunities in the future because of its highly leveraged capital structure. Should the company need to do so, LTD's ability to raise additional capital will be severely constrained by its debt dominated capital structure. Wachovia believes management will not be able to decrease the dividend payment in the future without forcing a collapse in the company's market value, thereby severely constraining the options management has to invest in its business, and to grow and adapt to the changing marketplace.

Q. Do you have any other concerns about LTD's capital structure:

A. Yes. Because of the heavy debt load, LTD shareholder equity will go from **{Begin Confidential End Confidential}** to **{Begin Confidential End Confidential}** (CWA Exh. 14 (CWA-20), Houlihan p 17.)

Q. What does it mean to have negative shareholder equity and why does it matter?

A. It means that liabilities exceed its assets. If shareholder equity is negative and LTD needs to raise capital in the future, it will be more expensive to raise money in the capital markets than if shareholder equity were positive. If LTD were a growth stock, investors might be more willing to invest if there were negative shareholder equity. However, the yield-oriented investors that LTD notes it will target for investment will be concerned about negative shareholder equity. For this type of investor, the concern that a business downturn beyond the assumptions in Houlihan Lokey's analysis and beyond the 2010 time frame of that analysis could mean that LTD may have trouble meeting its debt obligations. This is a reasonable concern among shareholders. If the company were to go bankrupt, shareholders would be left with nothing and their claims would be subordinated to debt holders.

Q. Please summarize your analysis of the impact of LTD's capital structure on its financial condition.

A. The large amount of debt, with the accompanying restrictions, and the planned dividend payment will severely constrain the cash resources that LTD will have at its disposal and limit its financial flexibility to maintain and grow the business and to take advantage of opportunities as they arise.

Asset Payments

Q. You noted earlier that there is no financial justification for LTD's payment of {Begin Confidential End Confidential} to Sprint Nextel for LTD's assets. Please explain.

A. The Applicants provide no financial justification for LTD's payment of **{Begin Confidential End Confidential}** to Sprint Nextel for LTD's assets. The Applicants do not provide any evidence to value LTD's assets at **{Begin Confidential End Confidential}**. There is no correlation between the **{Begin Confidential End Confidential}** liability that LTD will assume and any assets transferred from Sprint Corp. to LTD. The **{Begin Confidential End Confidential}** is completely arbitrary.

Pension Fund Transfer

Q. Do you have any specific concerns regarding the pension fund?

A. Yes. The Authority must ensure that sufficient pension fund assets are transferred to LTD to cover all projected liabilities for LTD employees. The Authority must also ensure that any pension fund assets that exceed projected liabilities are allocated proportionately between LTD and Sprint Nextel based on their proportional share of pension fund liabilities.

Q. Please explain in more detail.

A. First, there is a difference in pension accounting between accrued liabilities and projected liabilities. Accrued liabilities represent benefit obligations as of this moment in time owed to current employees and retirees. Projected liabilities represent actuarial projections of all benefit obligations that will be owed when current employees retire plus obligations to current retirees. The Authority must ensure that sufficient pension assets are transferred to cover all projected liabilities of LTD employees and retirees.

Second, it appears that the Sprint pension fund assets exceed projected liabilities. Sprint states that plan funding exceeds ERISA standards by $970 million. (CWA Exh.15, CWA-25). In order to cover the projected liabilities of LTD employees and retirees, the Authority must ensure that the pension fund assets that exceed projected liabilities are divided based on LTD and Sprint Nextel's proportional share of projected liabilities.

Q. Why should the Authority get involved in oversight of the allocation of pension fund assets and liabilities?

A. The allocation of pension fund assets and liabilities has a large impact on the financial viability of a communications company. CWA has direct experience in this area. For example, when AT&T spun off Lucent Technologies, AT&T did not transfer to Lucent pension fund assets to cover the proportion of pension liabilities transferred to Lucent. As a result, Lucent is now in deep financial distress largely because it cannot cover the pension obligations that represent the deferred wages of its employees. Similarly, when

Global Crossing sold the local telephone companies that it had purchased from Frontier to Citizens Communications in 2001, Global Crossing originally planned to retain the pension fund assets of the local telephone companies. The New York Public Service Authority therefore conditioned approval of the transfer of Global Crossing's licenses to Citizens Communications upon the transfer of all applicable pension fund assets to Citizens. *Joint Petition of Global Crossing Ltd. and Citizens Communications Company*, Case 00-C-1415, 2001 N.Y. PUC LEXIS 265 (NY PSC May 11, 2001).

Q. Applicants state that there will be no changes in the existing pension plan after separation. Why, then, should the Authority condition transfer approval upon a commitment to proportional transfer of pension fund assets and liabilities?

A. Applicants have not informed the Authority how they plan to allocate pension assets and liabilities. Proportionate distribution of pension plan assets is critical to future viability of LTD, as well as meeting UTSE's retirement obligations to current and future retirees. CWA's experience demonstrates that Authority vigilance can play an important role in ensuring that workers' retirement security and the local telephone company's financial viability are protected.

LTD as a Stand-Alone Company

Q. Applicants claim that the separation of LTD from Sprint Nextel serves the public interest by creating a stand-alone local telephone company that will better focus on local customers. Do you agree?

A. No. The trend in the communications industry is to provide bundles of local, long-distance, wireless, Internet access, and video services over one's own network. This strategy is driving SBC's merger with AT&T and Verizon's merger with MCI. It is driving cable companies to seek alliances with wireless companies such as Sprint Nextel. Local wireline service is a declining business, whereas wireless and Internet are the growing parts of the telecommunications industry. (CWA Exh. 16, p. 2 (Sprint Local Telecommunications Division 2005-2005 Business & Financial Plan, CWA-4, Item 4A). I have already cited several credit rating agencies to this effect. Sprint acknowledged the importance of bundles as recently as April 22, 2005 when it stated that it would **{Begin Confidential End Confidential}** (*Id.*, p. 3). Separating LTD from Sprint's wireless, long-distance, and Internet backbone business will leave the stand-alone company with little growth potential. In combination with the capital structure that I discussed earlier, this spin-off will result in a stand-alone local telephone company that may not be able to survive and grow.

Q. The Applicants claim that LTD will continue to provide bundled service offerings through wholesale arrangements with Sprint Nextel for long distance and wireless services. Is there an advantage to asset ownership of bundle elements?

A. Certainly, the merger of AT&T/SBC and Verizon/MCI provide powerful evidence that major telecommunications companies believe there is competitive advantage in ownership of multiple elements of the communications bundle.

Q. Are the wholesale agreements for long-distance and wireless service between LTD Long Distance and Sprint Communications the result of a competitive bidding process?

A. Based on the information in the Application, it appears that these contracts were not competitively bid.

Q. Will customers experience any harm from the no-bid long-distance and wireless wholesale contracts?

A. Yes. Through a competitive bidding process, companies ensure that they receive the best possible service for the best available price. The failure to engage in a competitive bidding process represents a sweetheart deal that should not be condoned by the Authority.

Service Quality

Q. What is the quality of service that UTSE provides to customers?

A. Service quality at UTSE has been deteriorating over the past seven years. As evidence, I have reviewed the service quality performance data that UTSE provides to the FCC in its annual Armis reports. I will focus on two critical measures: out-of-service repair intervals and repeat-out-of-service trouble reports as a percentage of initial out-of-service trouble reports. In both these areas, UTSE service has seriously deteriorated. According to the FCC data, in 1997 UTSE's out-of-service repair interval averaged 14.2 hours. By 2004, the out-of-service repair interval averaged 19.1 hours, an increase of 35 percent. The FCC data also shows that in 1997, 9.8 percent of initial out-of-service trouble reports made by UTSE consumers were reported again as a trouble report within the next 30 days. By 2004, 18.1 percent of initial-out-of-service trouble reports were reported as repeat trouble reports, an increase of 121 percent. (CWA Exh. 17 and 18.)

Q. Please explain what is meant by a repeat out of service trouble report.

A. If a customer calls UTSE to report a trouble on the line and a trouble ticket is issued, this is coded as a trouble report. If the customer calls again within 30 days to report the same problem on the same line, this is coded as a repeat trouble report.

Q. Have UTSE's annual capital construction expenditures declined in recent years?

A. Yes. Between 2000 and 2004, UTSE's capital construction expenditures declined by **{Begin Confidential** **End Confidential}** in 2004. (CWA Exh. 19, CWA-17).

Q. Have the number of UTSE employees declined as well?

A. Yes. From 2000 to 2004, the total number of employees of UTSE declined by 140 employees, or 30.6 percent. There were 458 employees at year-end 2000 and only 318 employees at the end of the year 2004. (CWA Exh. 20, CWA-14) Since 2000, the number of UTSE employees in the CWA bargaining unit has declined 25.5 percent, from 435 employees in 2000 to 324 employees today.

Q. How is staffing related to service quality?

A. Quality service requires adequate staffing by well-trained, experienced career employees. If there are not enough frontline technicians, customers have to wait for installation and repair, and the company has to cut or eliminate preventative maintenance crews altogether. If the company depends on poorly trained outside contractors, career technicians frequently have to go back and fix the mistakes that the contractors have made.

Q. Does the decline in capital spending and employment parallel trends in access lines at UTSE?

A. No, it does not. The number of switched access lines has declined by 14.5 percent from 2000 to 2004, from 268,206 in 2000 to 229,378 in 2004. (CWA Exh. 21, CWA-15). The 21 percent decline in annual capital spending and the 30 percent decline in employment far exceeds the 14.5 percent decline in switched access lines between 2000 and 2004.

Q. Will the LTD spin-off result in improved service quality to UTSE consumers?

A. No, it will not. As I have already discussed, LTD will be a financially weaker company after the separation with fewer resources to invest in the network. Moreover, financial projections indicate that LTD, UTSE's corporate parent, will reduce capital spending as a percent of revenue and in absolute terms after the separation. In 2003, LTD's capital plan totaled **{Begin Confidential End Confidential}**, representing **{Begin Confidential End Confidential}** of revenue. In 2004, LTD's capital plan totaled **{Begin Confidential End Confidential}**, representing **{Begin Confidential End Confidential}** of revenue. In 2006 and 2007, LTD's capital plan projections are **{Begin Confidential End Confidential}**, representing **{Begin Confidential End Confidential}** of revenue, respectively. (CWA Exh. 21, Sprint Local Telecommunications Division, 2005-2007 Business & Financial Plan, CWA-4, 4C).

Conclusion

Q. Please summarize your testimony.

A. LTD will be a financially weaker company after the separation, with much less flexibility in the use of its cash resources. As a wholly owned subsidiary of LTD, UTSE will have more restricted access to capital, resulting in fewer resources to provide quality service to customers and to invest in advanced services. UTSE's customers will experience considerable harm from this transaction with no countervailing benefits. Moreover, the allocation of Sprint Nextel assets and debt to LTD is neither fair nor equitable.

The proposed transfer is not in the public interest. The transaction will result in serious harm to UTSE's quality of service to customers, and could result in price increases for long-distance, wireless, and bundled services due to no-bid wholesale agreements between LTD and Sprint. Moreover, the Authority must ensure equitable prospective allocation of pension assets and liabilities at the time of the spin-off.

Q. What are your recommendations to the Authority?

A. The Authority should condition any approval upon the following conditions to protect consumers and ensure that a viable entity remains after separation:

- LTD's bank and bond debt shall be free of any restrictions on the use of LTD's discretionary cash flow.
- LTD shall not be required to pay Sprint Nextel for its assets. Any proceeds from bank or public debt shall be retained by LTD for its investment purposes.
- Pension fund assets shall be allocated to fund fully LTD's prospective pension liabilities and should be proportional to LTD's prospective pension fund liabilities.

- UTSE shall maintain a capital structure that contains at least 65 percent common equity and UTSE shall be prohibited from paying any dividend to its parent company that would reduce UTSE's equity ratio to less than 65 percent.

- UTSE shall not pay any dividend to its parent company that exceeds more than 75 percent of UTSE's earnings attributable to common equity.

- The Authority shall require UTSE to clear 95 percent of out-of-service reports within 24 hours, or 90 percent of out-of-service reports cleared within eight working hours with penalties for failure to meet those standards

- The Authority shall require UTSE to report separately on trouble reports and repeat trouble reports.

- UTSE's reporting of service performance shall be posted on the Authority website. UTSE shall be required to maintain current employment levels for the next five years.

- LTD shall be required to engage in a competitive bidding process to select vendors for its wholesale contracts for long distance and wireless services.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE
TENNESSEE REGULATORY AUTHORITY

Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company	:	Docket No. 05-00240

EXHIBITS TO DIRECT TESTIMONY OF DEBBIE GOLDMAN

*** PUBLIC VERSION***

December 7, 2005

Tennessee Regulatory Authority, Docket No. 05-00240
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company

Responses to CWA Data Requests 1-32

DATA REQUEST 7:

Question: Other than plans for redeeming existing debt assigned to LTD Holding, provide a detailed explanation concerning LTD Holding's plans for the cash proceeds from the debt issuances shown on Exhibit KWD-7. As part of the response, please indicate how much of the debt proceeds will be used as a cash payment to Sprint (other than for debt redemption), and indicate how this amount was determined.

RESPONSE:

Without waiving any specific or general objections, Applicant responds as follows:

LTD Holding Company is expected to have total indebtedness of about $7.25 billion when the separation is completed. Approximately **[Begin Confidential]** (Redacted) **[End Confidential]** of this debt is currently outstanding. The remainder will be issued to Sprint Nextel and to one or more third parties. Sprint Nextel will receive approximately **[Begin Confidential]** (Redacted) **[End Confidential]** from the new third party borrowings in exchange for the assets contributed to the company to be separate.

LTD Holding Company's capital structure balances the overall cost of capital with the need to maintain ample financial flexibility. This capital structure and its intended objectives are supported by the analysis and testimony of Houlihan Lokey which concludes that the capital structure is reasonable and appropriate for the type of business in which LTD Holding Company is engaged, and is adequate for purposes of servicing debt, reinvesting in its business, maintaining access to capital markets, and paying dividends in accordance with its dividend policy. All else held equal, a higher use of leverage (the amount of debt used to finance assets) causes a downward effect on a company's overall weighted average cost of capital when compared to a capital structure with a lower level of debt.

LTD Holding Company is confident that the overall capital structure of the company represents the appropriate mix of leverage and equity that allows the company to operate securely and efficiently, to meet all of its obligations, to deploy physical capital effectively, and to continue to attract investor capital in the capital markets.

Sprint.

6200 Sprint Parkway
Overland Park, KS 66251

NEXTEL

2001 Edmund Halley Drive
Reston, VA 20191

EX PARTE PRESENTATION

By Electronic Filing

August 2, 2005

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
TW-A325
Washington, DC 20554

Re: Written Ex Parte Presentation
Applications for Consent to the Transfer of Control of Licenses and Authorizations from Nextel Communications, Inc. and its Subsidiaries to Sprint Corporation, WT Docket No. 05-63

Dear Ms. Dortch:

This written ex parte presentation provides additional information concerning the planned spin-off of the incumbent local telephone operations of Sprint Corporation (Sprint) to the shareholders of Sprint Nextel after the merger of Sprint and Nextel Communications, Inc. (Nextel) has been consummated.

The new local company, named LTD Holding Company (until its new brand is launched at the time of the spin-off), will be the largest independent local exchange carrier in the nation, with 2004 annual revenues exceeding $6 billion, and serving more than 7.5 million switched access lines in eighteen states as of the end of June 2005. LTD Holding Company will receive an equitable debt and asset allocation at the time of its proposed spin-off so that the company will be a financially secure, Fortune 500 company.[1] ~~Its stock is~~ expected to be traded on the New York Stock Exchange; and it ~~anticipates~~ having a level of equity, debt and other financial characteristics consistent with those of companies that have been rated "investment grade" by major ratings agencies. Building upon the strong and proven financial performance of Sprint's ILEC

[1] Had it operated on a standalone basis in 2004, the revenues of LTD Holding Company would place it at approximately 335 on the Fortune 500 List.

operations, LTD Holding Company is expected both to generate ample cash flow and to pay a dividend that will be attractive to investors.[2]

LTD Holding Company will be led by a highly talented and experienced management team. At the helm, Daniel R. Hesse, recently named Chief Executive Officer of Sprint's Local Telecommunications division, will be the Chief Executive Officer of the LTD Holding Company. Mr. Hesse has extensive experience in the telecommunications industry, including 23 years at AT&T, where he served as President and Chief Executive Officer of AT&T Wireless Services from 1997-2000. Most recently, Mr. Hesse was Chairman, President and Chief Executive Officer of Terabeam Corporation, a Seattle-based telecommunications company. Michael B. Fuller has been named the Chief Operating Officer of LTD Holding Company. Mr. Fuller, currently President and Chief Operating Officer of Sprint's Local Telecommunications division, has more than 30 years' experience with Sprint, and after holding key management positions in both local and long distance operations, has led Sprint's local telephone operations since 1996. Gene Betts, currently Sprint's Senior Vice President and Treasurer, has been named Chief Financial Officer of LTD Holding Company. Tom Gerke, currently Executive Vice President-General Counsel and External Affairs of Sprint, has been named General Counsel for LTD Holding Company. These leaders, and their roughly 20,000 associates, will position LTD Holding Company to provide superior service to its customers.

Indeed, the creation of LTD Holding Company as a separate company will *enhance* its ability to meet its customers' needs. Today, Sprint is primarily a nationally-focused wireless carrier, and after the merger with Nextel is completed, the merged Sprint Nextel will be even more so. Divesting Sprint's wireline local service operations into an independent, stand-alone corporation will create a company with a laser-sharp strategic focus on meeting the needs of its residential and business customers in its local franchised territory. With this clarity of vision and purpose, LTD Holding Company can and will offer a full range of high-quality services – wireline and wireless, voice, data and video – tailored to the specific needs of the customers and locales it will serve.

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[2] As part of the state PUC approval process for the planned spin off and resulting change of control of its local telephone operations, Sprint Nextel will demonstrate that the New Local Company will possess the requisite financial strength, in addition to managerial and technical capability, to fully perform its public service obligations.

As leaders of Sprint and Nextel, we are naturally excited about the capabilities that the new Sprint Nextel will bring to the marketplace. But we are also excited about the prospects that LTD Holding Company will bring to its millions of customers, and we are committed to a timely and successful launch of that company as soon as all requisite regulatory approvals have been obtained.

Sincerely,

Gary D. Forsee
Chairman and Chief Executive Officer
Sprint Corporation

Timothy M. Donahue
President and Chief Executive Officer
Nextel Communications, Inc.

CC: Chairman Kevin J. Martin
Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Jonathan S. Adelstein

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Applications of Nextel Communications, Inc. and Sprint Corporation	)	WT Docket No. 05-63
	)	
For Consent to Transfer Control of Licenses and Authorizations	)	
	)	
File Nos. 0002031766, *et al.*	)	

MEMORANDUM OPINION AND ORDER

Adopted: August 3, 2005 **Released: August 8, 2005**

By the Commission: Commissioners Abernathy, Copps, and Adelstein issuing separate statements.

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Heading Paragraph #

to discontinue service to those customers after the merger is completed. In reply, Sprint claims that US Unwired's request constitutes a private contractual matter and should be denied.[427]

181. We agree that US Unwired's request is a private contractual dispute that is not relevant to our public interest analysis and is best resolved by the parties, or in courts of competent jurisdiction.[428] Accordingly, US Unwired's request is denied.

3. CWA's Petition to Impose Conditions

182. Commenters suggest that, to the extent that our benefits analysis is predicated on the spin-off of Sprint's Local Division, we must also consider any potential harms to Sprint's wireline consumers that might result from the spin-off,[429] and that the merger must be conditioned upon the approval of the Applicants' commitment to a "fair and equitable allocation" of corporate assets and debt at the time of the separation of the Sprint's Local Division, which is Sprint's local exchange business.[430]

183. Even though our benefits analysis in this transaction is not dependent on the announced future spin-off of Sprint's Local Division, we note that Sprint and Nextel have submitted a letter in this proceeding specifically addressing CWA's comments.[431] Gary D. Forsee, Sprint's Chairman and CEO, and Timothy M. Donahue, Nextel's President and CEO, submitted a letter to the Commission on August 2, 2005, stating that the new local company, LTD Holding Company, "will receive an equitable debt and asset allocation at the time of its proposed spin-off so that the company will be a financially secure, Fortune 500 company."[432] They state that "[i]ts stock is expected to be traded on the New York Stock Exchange; and it anticipates having a level of equity, debt and other financial characteristics consistent with those of companies that have been rated 'investment grade' by major ratings agencies."[433] Furthermore, Mr. Forsee and Mr. Donahue state that, as part of the state commission approval process for this spin-off and resulting change of control of its local telephone operations, Sprint Nextel "will

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[427] Sprint Reply to Informal Request at 1 (June 10, 2005).

[428] *See* Applications of Vodafone Airtouch, PLC and Bell Atlantic Corp., Order on Further Reconsideration, 17 FCC Rcd 10998, 11000 ¶ 6 (WTB 2002), *reconsideration dismissed* 18 FCC Rcd 1861 (WTB 2003), *review denied in part, dismissed in part* 20 FCC Rcd 6439 (2005). *See also Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21552 n.222 (citing Vodafone AirTouch, PLC, and Bell Atlantic Corp., *Memorandum Opinion and Order*, 15 FCC Rcd 16507, 16511-12 ¶ 12 (WTB, IB 2000) ("*Bell Atlantic-Vodaphone Order*") and Applications of Centel Corp. and Sprint Corp., *Memorandum Opinion and Order*, 8 FCC Rcd 1829, 1831 ¶ 10 (CCB 1993)). The Commission has refused to interject itself into private matters, finding that a court, and not the Commission, is the proper forum to resolve such disputes. *Bell Atlantic-Vodaphone Order*, 15 FCC Rcd at 16514 n.37 (citing Applications of WorldCom and MCI Communications Corp., *Memorandum Opinion and Order*, 13 FCC Rcd 18025, 18148 ¶ 214 (1998); PCS 2000, L.P., 12 FCC Rcd 1681, 1691 ¶ 93 (1997)). We note that since US Unwired filed its informal request in this proceeding, it has been reported that Sprint has agreed to acquire US Unwired. Sprint to Buy US Unwired Affiliate, *Wall St. J.*, July 12, 2005, at B3. It is further reported that among other matters, as part of that agreement, Sprint and US Unwired would seek a stay of certain court litigation between those two parties. *Id.*

[429] CWA Petition at 2, 4-5; *see also* New Jersey Ratepayer Reply 6-7.

[430] CWA Petition at 6-9.

[431] Letter from Gary D. Forsee, Chairman and CEO, Sprint Corp., and Timothy M. Donahue, President and CEO, Nextel Communications, Inc., to Ms. Marlene H. Dortch, Secretary, FCC, WT Docket No. 05-63 (filed Aug. 2, 2005).

[432] *Id.* at 1.

[433] *Id.* Sprint and Nextel note that the planned spin-off of Sprint's local telephone operations will be the largest independent local exchange carrier in the nation, with 2004 annual revenues exceeding $6 billion, and serving more than 7.5 million switched access lines in 18 states as of the end of June 2005.

demonstrate that the New Local Company will possess the requisite financial strength, in addition to managerial and technical capability, to fully perform its public service obligations."[434] We find that these statements represent commitments by Sprint Nextel that the new local wireline company, LTD Holding Company, will receive an equitable debt and asset allocation at the time of its proposed spin-off so that the company will be a financially secure, Fortune 500 company, and that Sprint Nextel will demonstrate that the new local company will possess the requisite financial strength, in addition to managerial and technical capability, to fully perform its public service obligations. In addition, these statements are presumably made in accordance with the Commission's requirements of candor and truthfulness,[435] and, for this reason, we award them substantial weight.

VI. CONCLUSION

184. As discussed above, we find that public interest harm is unlikely as a result of this transaction, primarily because of the presence of multiple other carriers who have the ability to act as effective competitive constraints on the behavior of the merged entity. Therefore, while the structure of markets will change as a result of the transaction, we find that carrier conduct will remain sufficiently competitive to ensure that market performance will not be impaired, and, given the expected benefits, the public interest will be enhanced on balance.

185. We emphasize that our judgment in this matter does not mean that our analysis would be the same if additional consolidation in this sector were to be proposed in the future. Clearly, there is a point beyond which further consolidation would not be in the public interest. As we have here, when reviewing any future applications of this nature we will look closely at the competitive circumstances pertaining at that time in the affected markets and will make a considered judgment based on careful weighing of all the relevant circumstances.

VII. ORDERING CLAUSES

186. Accordingly, having reviewed the applications, the petitions, and the record in this matter, IT IS ORDERED that, pursuant to sections 4(i) and (j), 214, 309, 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), (j), 214, 309, 310(d), the applications for the transfer of control of licenses and authorizations as discussed herein from Nextel to Sprint ARE GRANTED, to the extent specified in this order and subject to the condition specified below.

187. IT IS FURTHER ORDERED that, pursuant to section 1.9030 of the Commission's rules, 47 C.F.R. § 1.9030, the application for the transfer of control of de facto transfer lease authorizations from Nextel to S-N Merger Corporation is GRANTED, to the extent specified in this order and subject to the conditions specified below.

188. IT IS FURTHER ORDERED that the above grant shall include authority for Sprint to acquire control of: (a) any license or authorization issued to Nextel and its subsidiaries during the Commission's consideration of the transfer of control applications or the period required for consummation of the transaction following approval; (b) construction permits held by such licensees that mature into licensees after closing; and (c) applications filed by such licensees and that are pending at the time of consummation of the proposed transfer of control.

189. IT IS FURTHER ORDERED that, pursuant to section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214, and section 63.24 of the Commission's rules, 47, C.F.R. § 63.24, the application to transfer control of Nextel's international Section 214 authorization to Sprint IS GRANTED subject to the conditions applicable to international section 214 authorizations.

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[434] *Id.* at 2 n.2.

[435] *See* 47 CFR §1.17.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2005

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)	**48-0457967** (I.R.S. Employer Identification No.)
2001 Edmund Halley Drive, Reston, Virginia (Address of principal executive offices)	**20191** (Zip Code)

Registrant's telephone number, including area code: (703) 433-4000

(Former name, former address and former fiscal year, if changed since last report)

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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange

CWA Exh. 4 page 2 of 3

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SPRINT NEXTEL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(millions)

	September 30, 2005	December 31, 2004
	(Unaudited)	
Assets		
Current assets		
Cash and equivalents	$ 7,825	$ 4,176
Marketable debt securities	1,110	445
Accounts receivable, net of allowance for doubtful accounts of $355 and $293	4,849	3,107
Inventories	1,004	651
Deferred tax asset	2,164	1,049
Prepaid expenses and other	813	547
Total current assets	17,765	9,975
Investments	2,892	276
Property, plant and equipment, net of accumulated depreciation of $23,135 and $20,934	30,591	22,628
Intangibles		
Goodwill	21,012	4,401
Spectrum licenses	17,754	3,376
Customer relationships, net of accumulated amortization of $458 and $6	9,352	29
Other, net of accumulated amortization of $17 and $5	1,369	30
Total net intangibles	49,487	7,836
Other assets	580	606
Total	$ 101,315	$ 41,321

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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SPRINT NEXTEL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

(millions, except per share data)

	September 30, 2005 (Unaudited)	December 31, 2004
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 1,760	$ 1,288
Accounts payable	2,765	2,261
Accrued interconnection costs	461	410
Accrued taxes	855	404
Advance billings and deferred revenues	1,394	737
Payroll and employee benefits	659	428
Accrued interest	367	335
Other	1,725	1,039
Total current liabilities	9,986	6,902
Noncurrent liabilities		
Long-term debt and capital lease obligations	23,538	15,916
Deferred income taxes	12,050	2,176
Postretirement and other benefit obligations	1,265	1,445
Deferred rental income—communications towers	1,118	—
Other	1,579	1,114
Total noncurrent liabilities	39,550	20,651
Redeemable preferred stock	247	247
Shareholders' equity		
Common stock		
Voting, par value $2.00 per share, 6,500.0 and 3,000.0 shares authorized, 2,912.9 and 1,474.8 shares issued and outstanding	5,826	2,950
Nonvoting, par value $0.01 per share, 100.0 and 0 shares authorized, 37.6 and 0 shares issued and outstanding	—	—
Paid-in-capital	45,840	11,873
Retained earnings (deficit)	557	(586)
Accumulated other comprehensive loss	(691)	(716)
Total shareholders' equity	51,532	13,521
Total	$ 101,315	$ 41,321

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

CWA Exhibit 5

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 6

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 7

REDACTED

Contains Confidential Information

CWA Exhibit 8

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 9

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 10

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 11

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 12

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 13

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 14

REDACTED

*****Contains Confidential Information*****

Tennessee Regulatory Authority, Docket No. 05-00240
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company

Responses to CWA Data Requests 1-32

DATA REQUEST 25:

Question: With regard to the pension plan and benefits.

a. Please explain whether changes in the existing pension plan and benefits are anticipated. If yes, please explain in detail.
b. Please explain what is meant by ensuring that the pension plan will continue to be appropriately funded to meet current and future obligations.
c. Will the separation of LTD from Sprint Nextel result in any change in the pension benefits payable to any current retirees or employees of United Telephone-Southeast, Inc. ("UTSE")? If so, please describe in detail.

RESPONSE:

Without waiving any specific or general objections, Applicant responds as follows:

(a) No changes are planned for the existing pension plan. Also, no changes are planned for the company sponsored 401(k) plans except that beginning in 2006 the company's matching contribution will be made in cash and not in company stock. This change is subject to negotiation for collective bargaining employees. In addition, there are no changes planned for other benefits plans other than those which may be made in the ordinary course of business, i.e. change in managed care network for certain self-funded medical coverage options.

(b) The plan sponsor, Sprint, has in recent years contributed **[Begin Confidential]** (Redacted) **[End Confidential]** to the plan's trust, which has precipitated a credit balance in the plan's funding standard account of **[Begin Confidential]** (Redacted) **[End Confidential]** excess funding amounts and interest on those amounts over ERISA's minimum funding requirements. LTD Holding Company will continue to make contributions to meet the government's pension plan funding requirements, which ensure that current and future obligations of the plan are properly funded.

(c) There will be no change in the pension benefits payable to current retirees or employees as a result of the separation.

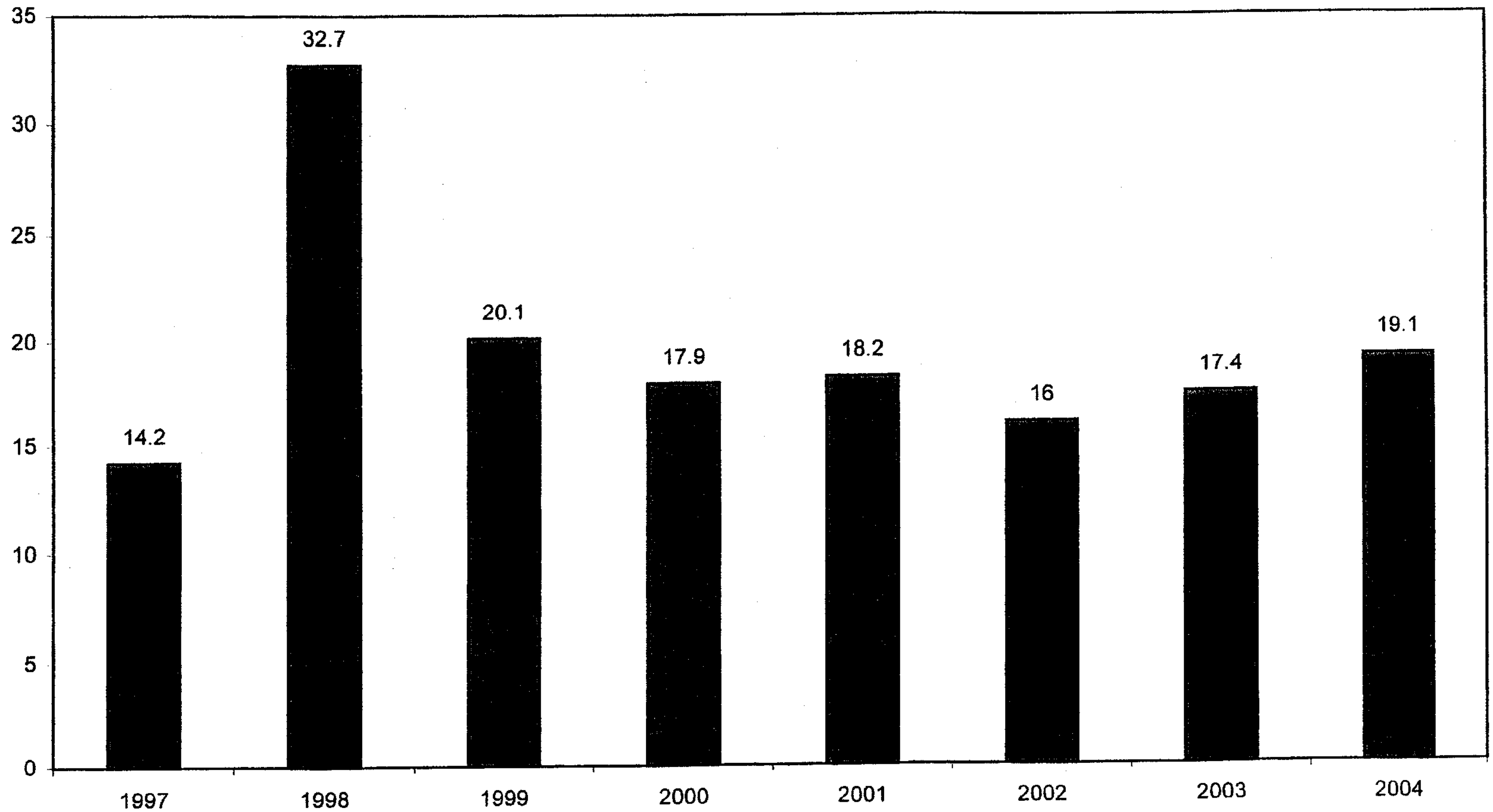
CWA Exhibit 16

REDACTED

*****Contains Confidential Information*****

CWA Exhibit 17

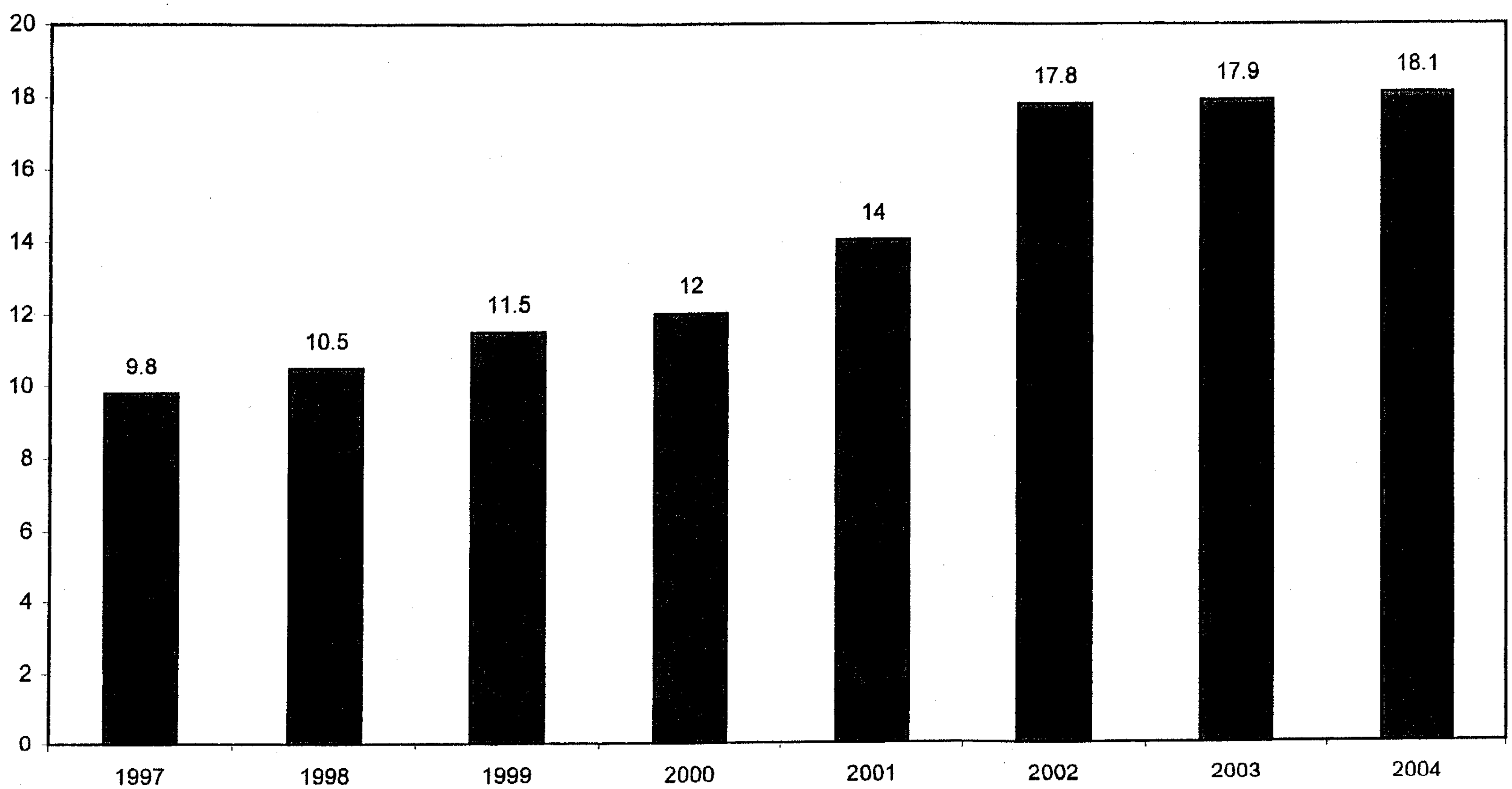
Sprint United Tennessee
Out of Service Repair Intervals in Hours
Up 35 Percent



FCC Armis Report 43-05, Table II, Rows 144, 145, 148, 149. Residence Business

CWA Exhibit 18

Sprint United Tennessee
Repeat Out-of-Service Trouble Reports as % of Initial Out-of-Service Trouble Reports Up 85 Percent



FCC Armis Report 43-05, Table II, Rows 144, 148. Residence Business

Tennessee Regulatory Authority, Docket No. 05-00240
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company

Responses to CWA Data Requests 1-32

DATA REQUEST 17:

Question: Provide the total capital construction amount expended by UTSE for local exchange services for each of the five years from the beginning of 2000 to year-end 2004.

RESPONSE:

Applicant objects to this question on the grounds that the question is not relevant to the current proceedings. Without waiving any specific or general objections, Applicant responds as follows:

The total capital construction amount expended by United Telephone Southeast, Inc., in Tennessee was:

[Begin Confidential]

(Redacted)

[End Confidential]

Tennessee Regulatory Authority, Docket No. 05-00240
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company

Responses to CWA Data Requests 1-32

DATA REQUEST 14:

Question: Provide the total number of employees of UTSE at the end of each of the five years beginning December 31, 2000 and ending December 31, 2004.

RESPONSE:

Without waiving any specific or general objections, Applicant responds as follows:

The total number of employees for United Telephone-Southeast, Inc., in Tennessee was:

458 as of December 31, 2000
435 as of December 31, 2001
403 as of December 31, 2002
376 as of December 31, 2003
318 as of December 31, 2004

Tennessee Regulatory Authority, Docket No. 05-00240
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company

Responses to CWA Data Requests 1-32

DATA REQUEST 15:

Question: Provide the total number of access lines served by UTSE at the end of each of the five years beginning December 31, 2000 and ending December 31, 2004.

RESPONSE:

Without waiving any specific or general objections, Applicant responds as follows:

The total number of access lines for United Telephone-Southeast, Inc., in Tennessee was:

268,206 as of December 31, 2000
256,644 as of December 31, 2001
249,114 as of December 31, 2002
238,320 as of December 31, 2003
229,378 as of December 31, 2004

CWA Exhibit 22

REDACTED

*****Contains Confidential Information*****

CERTIFICATE OF SERVICE

I hereby certify that on the 9th day of December, 2005 I have served a copy of Communications Workers of America, AFL-CIO's Direct Testimony of Witness Debbie Goldman and accompanying Exhibits on the following:

Edward Phillips
Sprint Nextel Corporation
14111 Capital Blvd.
Wake Forest, NC 27587-5900

Donald L. Scholes

Donald L. Scholes