

TENNESSEE REGULATORY AUTHORITY

PAT MILLER
DIRECTOR



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460 James Robertson Parkway
Nashville, TN 37243-0505
T.N.A. DOCKET ROOM

MEMORANDUM

TO: Docket File No. 05-00240

FROM: Pat Miller *PM* Director

DATE: January 18, 2006

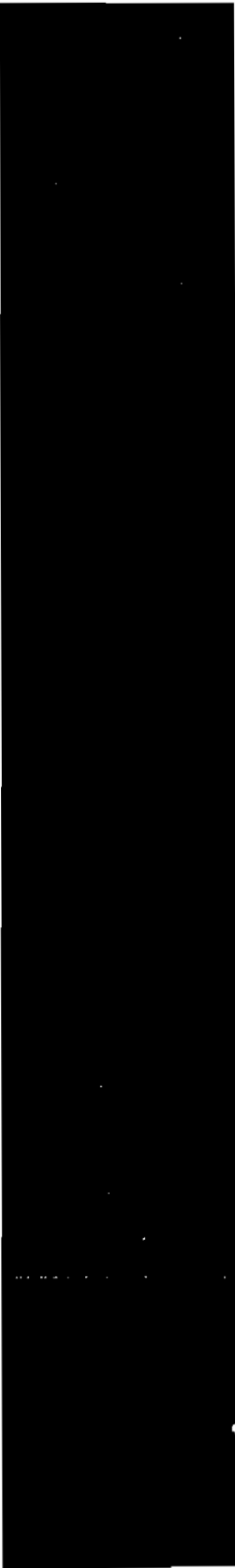
RE: Meeting with Representative of Sprint Nextel Corporation

Prior to the reassignment of docket number 05-00240, I met with Laura Sykora, Tom Sokol, and Edward Phillips, representatives of Sprint Nextel Corporation regarding the merger between Sprint and Nextel. The discussions were limited to the attached information that was provided to me during the meeting

Attachment

Separation of Sprint Local Telephone Operations

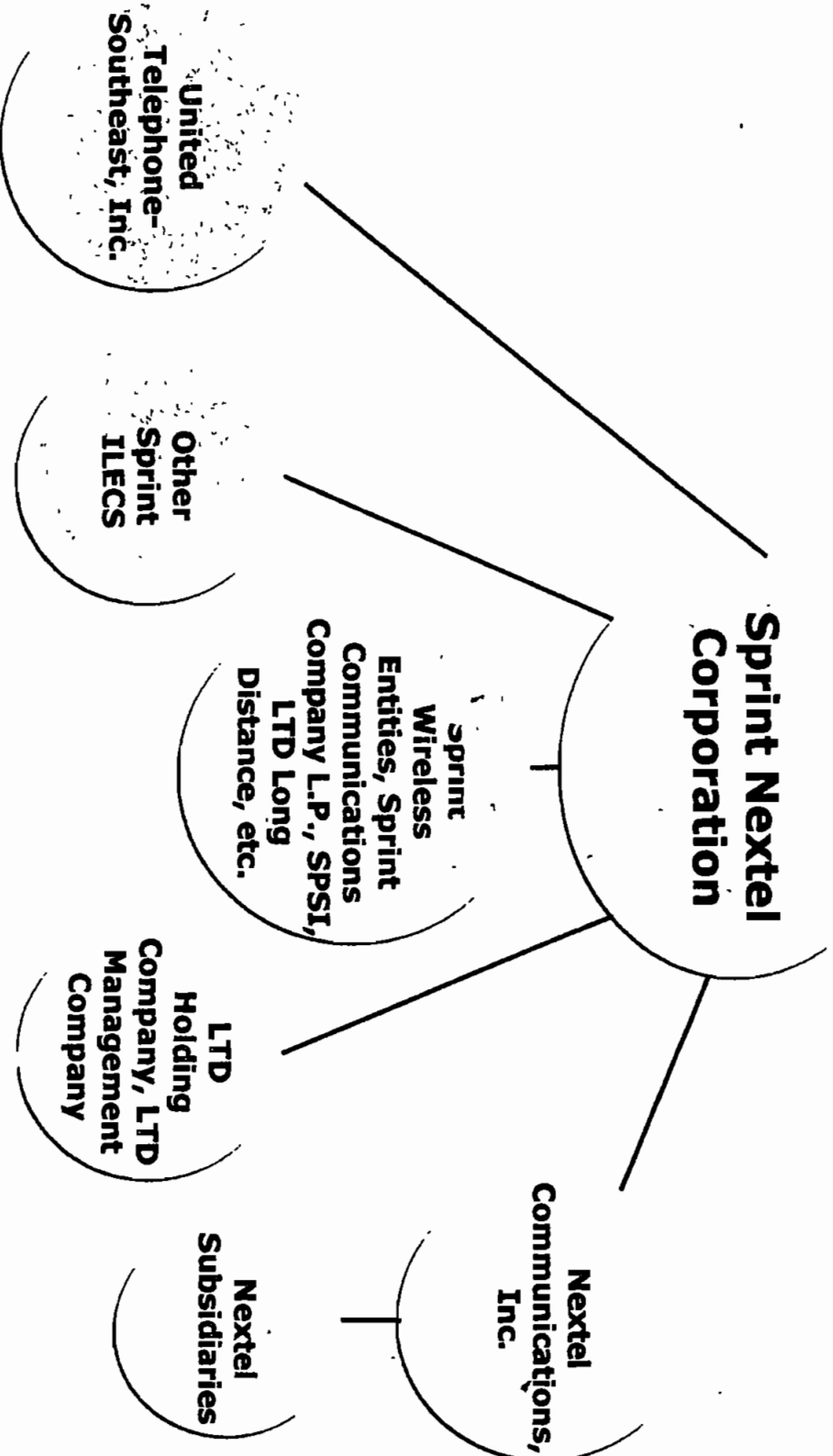




Introduction and Overview

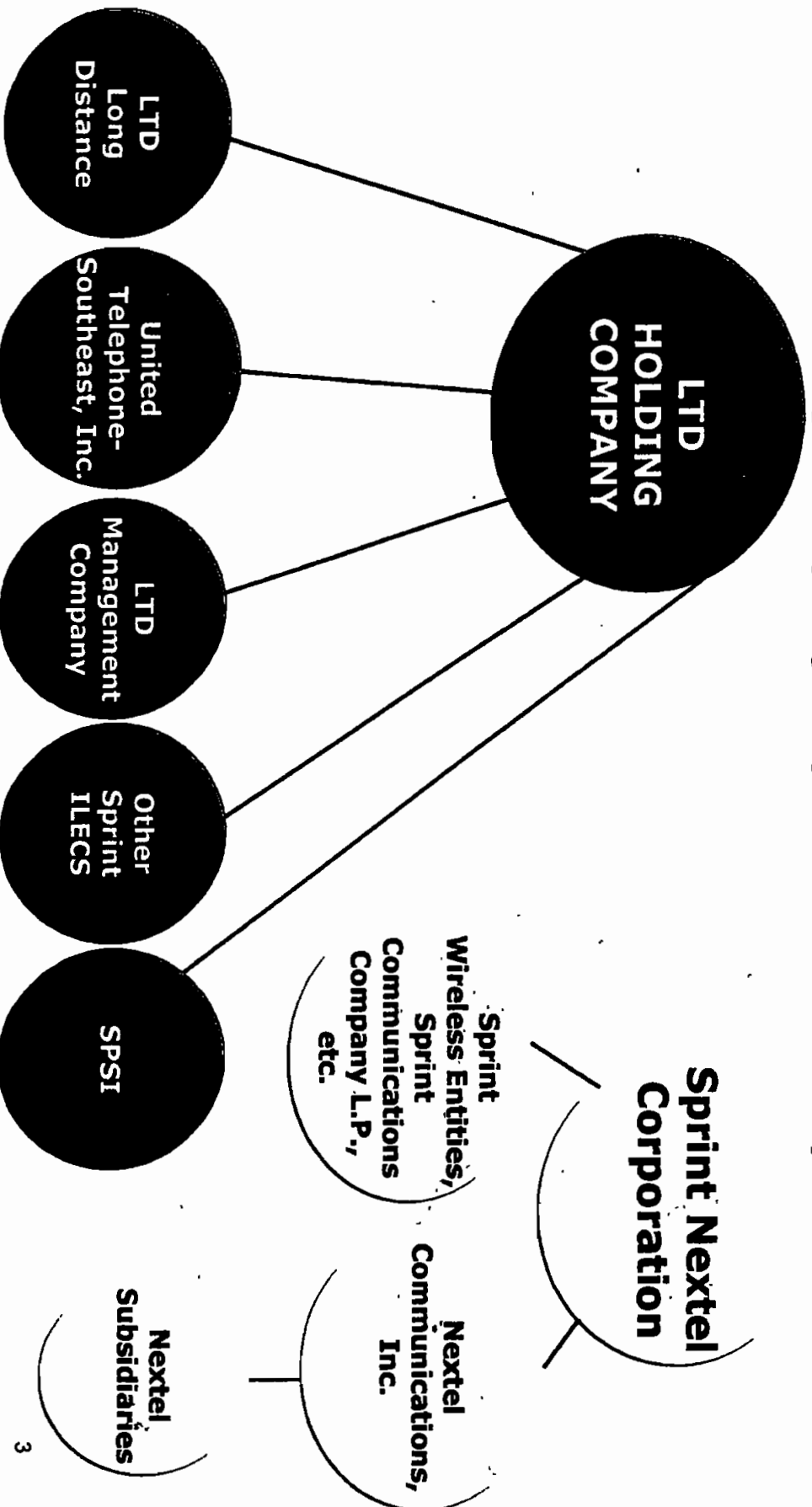
- Sprint's local telephone division is being separated into an independent LTD Holding Company
- State approval is being sought for the change in control of Sprint's local operations in Tennessee
- Separation will result in:
 - “Zero” impact on how the local telephone operations are regulated
 - Clarity of vision and purpose on meeting the needs of local customers
 - Transparency to customers

Sprint Nextel – Post Merger





LTD Holding Company Separation from Sprint Nextel



Why Separation is Critical

- Separation will serve best interests of Tennessee customers, employees, communities and shareholders
- The vast majority of Sprint Nextel customers are wireless, and its focus is on the national market
 - Sprint Nextel has about five times the number of wireless customers compared to local telephone customers
- Elimination of any emerging tension between wireless and wireline strategies is reason for separation
 - Sprint Nextel wants customers to “cut the cord” and to pursue strategies, such as partnering with cable companies to compete with the RBOCs
 - Sprint’s local telephone operations want local customers to continue to rely on wireline and to grow revenue with new products and services



Separation Transparent to the Customer

- What customers can expect
 - A new name, but no surprises
 - No change in how customers do business with us
 - Same contact numbers, same people
 - Same rates, terms and conditions
 - Same form of regulation
 - Availability of a full range of quality communications products and services
 - We will contract with Sprint Nextel for long distance and wireless services
 - We plan to maintain the sales agency arrangement with EchoStar to provide video in our bundles



Continuity in Technical Capabilities

- After separation, the local telephone operations will retain their existing assets
 - Equipment, buildings, systems, software licenses
- Shared assets will be fairly and logically allocated between the local telephone operations and the merged company
 - For example, the local telephone operations will assume ownership of the SS7 platform
- After separation, the local telephone operations will have all of the technical capabilities and access to the necessary assets for service ordering, provisioning, billing and customer care functions



Outstanding Management Team and Workforce

- After separation the local company will:
 - Be led by Dan Hesse, Chief Executive Officer, and Mike Fuller, Chief Operating Officer
 - Be guided by a team of senior executives with 170 combined years of Sprint experience
 - Maintain an experienced and skilled workforce to meet the business needs and expectations of our local customers
 - Maintain comprehensive and competitive compensation and benefit programs to attract and retain employees



Financially Secure

- Separation will have minimal effect on the Tennessee local telephone operating subsidiary's finances
- The LTD Holding Company will be a Fortune 500 company
 - \$6 billion annual revenues (based on 2004 revenue)
 - Comparable in size to Barnes and Noble
 - Proven record of financial performance
- The LTD Holding Company is expected to have a debt and equity mix consistent with an investment grade bond rating
- Cash flow will be sufficient to cover expenses, make capital additions, service debt and pay dividends



Heightened Level of Clarity

The separated local telephone operations will have:

- **Clarity of Vision:** Single-minded focus on its local markets
- **Clarity of Purpose:** Delivering a full portfolio of services that meet the needs of local customers
- **Clear Alignment of Interests:** Our success is inextricably linked to the satisfaction of our local customers



Continued Community Support in Tennessee

- More than 600 employees
- 1,300 retirees
- Annual payroll exceeding \$27 million
- \$3.3 million paid in property taxes
- Over \$38 million capital additions in 2004
- 2004 contributions and sponsorships in excess of \$140,000



Conclusion

- Our application and the testimony of Sprint and independent witnesses will demonstrate that an independent local telephone operation makes sense and is being pursued in a disciplined, reasonable manner
- We ask you to quickly approve our application so we can concentrate our energy on meeting our local customers' needs and expectations