SPRINT Corp
Form 10-K
February 24, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

or

o 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 CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	46-1170005
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6200 Sprint Parkway, Overland Park, Kansas	66251
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (855) 848-3280
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

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

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

Aggregate market value of voting and non-voting common stock equity held by non-affiliates of the predecessor Sprint Nextel Corporation at June 30, 2013 was $21,191,577,948

COMMON SHARES OUTSTANDING AT FEBRUARY 17, 2014:

Sprint Corporation Common Stock	3,935,879,158

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

Item 1. Business

FORMATION

Sprint Corporation, incorporated in 2012 under the laws of Delaware, is mainly a holding company, with its operations primarily conducted by its subsidiaries. Our common stock trades on the New York Stock Exchange (NYSE) under the symbol "S."

On July 10, 2013, SoftBank Corp. and certain of its wholly-owned subsidiaries (together, "SoftBank") completed the merger (SoftBank Merger) with Sprint Nextel Corporation, a Kansas corporation, organized in 1938 (Sprint Nextel) as contemplated by the Agreement and Plan of Merger, dated as of October 15, 2012, (as amended, the Merger Agreement) and the Bond Purchase Agreement, dated as of October 15, 2012 (as amended, the Bond Agreement). Pursuant to the Bond Agreement, Sprint Communications, Inc. issued a convertible bond (Bond) to Starburst II, Inc. (Starburst II), a wholly-owned subsidiary of SoftBank, with a principal amount of $3.1 billion, interest rate of 1%, and maturity date of October 15, 2019, which was converted into 590,476,190 shares of Sprint Communications, Inc. common stock at $5.25 per share immediately prior to the close of the SoftBank Merger. As a result of the SoftBank Merger, Starburst II became the parent company of Sprint Nextel. Immediately thereafter, Starburst II changed its name to Sprint Corporation and Sprint Nextel changed its name to Sprint Communications, Inc.

As a result of the completion of the SoftBank Merger and subsequent open market stock purchases, SoftBank owns approximately 80% of the outstanding voting common stock of Sprint Corporation. The SoftBank Merger consideration totaled approximately $22.2 billion, consisting primarily of cash consideration of $14.1 billion, net of cash acquired of $2.5 billion and the estimated fair value of the 22% interest in Sprint Corporation issued to the then existing stockholders of Sprint Communications, Inc. The preliminary allocation of consideration paid was based on management's judgment after evaluating several factors, including a preliminary valuation assessment. The close of the transaction provided additional equity funding of $5.0 billion, consisting of $3.1 billion received by Sprint Communications, Inc. in October 2012 related to the Bond, which automatically converted to equity immediately prior to the close of the SoftBank Merger, and $1.9 billion cash consideration at closing of the SoftBank Merger.

Successor and Predecessor Periods and Reporting Obligations

In connection with the close of the SoftBank Merger (as described above), Sprint Corporation became the successor registrant to Sprint Nextel under Rule 12g-3 of the Securities Exchange Act of 1934 (Exchange Act) and is the entity subject to the reporting requirements of the Exchange Act for filings with the Securities and Exchange Commission (SEC) subsequent to the close of the SoftBank Merger. The financial information herein, distinguishes between the predecessor period (Predecessor) relating to Sprint Communications for periods prior to the SoftBank Merger and the successor period (Successor) relating to Sprint Corporation, formerly known as Starburst II, for periods subsequent to the incorporation of Starburst II on October 5, 2012. In addition, in order to align with SoftBank’s reporting schedule, our Board of Directors have approved a change in our fiscal year end to March 31, effective March 31, 2014. As a result, we expect to file an additional Annual Report on Form 10-K for the transition period from January 1, 2014 to March 31, 2014.

OVERVIEW

Sprint Corporation and its subsidiaries is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. Unless the context otherwise requires, references to "Sprint," "we," "us," "our" and the "Company" mean Sprint Corporation and its consolidated subsidiaries for all periods presented, inclusive of Successor and Predecessor periods, and references to "Sprint Communications" are to Sprint Communications, Inc. and its consolidated subsidiaries. Our operations are organized to meet the needs of

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our targeted subscriber groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services. We are the third largest wireless communications company in the U.S. based on wireless revenue, one of the largest providers of wireline long distance services, and one of the largest Internet carriers in the nation. Our services are provided through our ownership of extensive wireless networks, an all-digital global long distance network and a Tier 1 Internet backbone.

We offer wireless and wireline voice and data transmission services to subscribers in all 50 states, Puerto Rico, and the U.S. Virgin Islands under the Sprint corporate brand, which includes our retail brands of Sprint®, Boost Mobile®, Virgin Mobile®, and Assurance Wireless® on networks that utilize third generation (3G) code division multiple access (CDMA) or Internet protocol (IP) technologies. We also offer fourth generation (4G) services utilizing Long Term Evolution (LTE) as well as Worldwide Interoperability for Microwave Access (WiMAX) technologies (which we expect to shut-down by the end of 2015). We utilize these networks to offer our wireless and wireline subscribers differentiated products and services whether through the use of a single network or a combination of these networks.

Recent Acquisitions

On May 17, 2013, Sprint Communications closed its transaction with United States Cellular Corporation (U.S. Cellular) to acquire personal communications services (PCS) spectrum and subscribers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint Communications agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets, the majority of which is expected to be paid by the end of 2016. These costs are expected to be approximately $160 million on a net present value basis, but in no event will Sprint Communications' reimbursement obligation exceed $200 million on an undiscounted basis. The additional spectrum will be used to supplement Sprint's coverage in these areas.

On July 9, 2013, Sprint Communications completed the acquisition of the remaining equity interests in Clearwire Corporation and its consolidated subsidiary Clearwire Communications LLC (together "Clearwire") that it did not previously own (Clearwire Acquisition) in an all cash transaction for approximately $3.5 billion, net of cash acquired of $198 million, which provides us with control of 2.5 gigahertz (GHz) spectrum and tower resources for use in conjunction with our network modernization plan. The consideration paid was preliminarily allocated to assets acquired and liabilities assumed based on their estimated fair values at the time of the Clearwire Acquisition. The allocation of consideration paid was based on management's judgment after evaluating several factors, including a preliminary valuation assessment.

See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and also refer to the Notes to the Consolidated Financial Statements for more information on the significant transactions noted above. Also see "Item 1A. Risk Factors" for risks related to the SoftBank Merger and Clearwire Acquisition.

Our Business Segments

We operate two reportable segments: Wireless and Wireline. For additional information regarding our segments, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and also refer to the Notes to the Consolidated Financial Statements.

Wireless

We offer wireless services on a postpaid and prepaid payment basis to retail subscribers and also on a wholesale and affiliate basis, which includes the sale of wireless services that utilize the Sprint network but are sold under the wholesaler's brand. We continue to support the open development of applications, content, and devices on the Sprint platform through products and services such as Sprint ID,™ which provides an easy way for users to discover content from leading brands and special interests as well as manage those experiences on certain Android devices, and Sprint Zone, which allows subscribers to not only manage their account and self-service functions via their device but facilitates discovery of new content and personalization through recommendations for applications and entertainment content. We also support Sprint Guardian,™ a collection of mobile safety and device security bundles that provide families relevant tools to help stay safe and secure, and Pinsight Media+,™ which gives advertisers the power to reach consumers on their mobile device by providing more relevant advertising based on information consumers choose to share about their location and mobile Web browsing history. In addition, we enable a variety of business and consumer third-party relationships through our portfolio of machine-to-machine solutions,

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which we offer on a retail postpaid and wholesale basis. Our machine-to-machine solutions portfolio provides a secure, real-time and reliable wireless two-way data connection across a broad range of connected devices such as the Chrysler Group's UConnect® Access in-vehicle communications system powered through our Sprint Velocity™ end-to-end telematics solution, which enables hand free phone calls and the ability to access music, navigation, and other applications and services through cell connections built into the vehicle. Other connected devices include original equipment manufacturer (OEM) devices and after-market in-vehicle connectivity and electric vehicle charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment, and a variety of other consumer electronics and appliances.

Postpaid

In our postpaid portfolio, we recently launched the Sprint Framily℠ plan, which is available to new and existing subscribers, and allows subscribers to create a Framily group consisting of up ten subscribers. The first subscriber pays $55 per month for unlimited talk, text and 1GB of data. For each additional new Sprint subscriber that joins the Framily group, the monthly wireless service fee decreases by $5 per person within that Framily group, up to a maximum monthly discount of $30 per person. Subscribers can purchase 3GB of data for an additional $10 per month or unlimited data coupled with an annual upgrade option on certain devices for an additional $20 per month. In order to be eligible for the right to upgrade, the subscriber must have purchased the unlimited data and annual upgrade option for the 12 consecutive months preceding the upgrade. Each Framily subscriber is billed separately and each member of the Framily group can elect to receive their own personalized services. We expect most new subscribers to purchase an eligible wireless phone at full retail price under an installment contract payable over 24 months through the use of the Sprint Easy Pay℠ program. The terms of the new sales program will not require the subscriber to execute a wireless service contract.

Our existing Unlimited, My Way℠ and My All-in℠ plans with the Unlimited Guarantee℠ continue to provide simplicity to subscribers. With our Unlimited Guarantee, subscribers are guaranteed unlimited talk (to any wireline or mobile phone), text and data while on the Sprint network for the life of the line of service. The Unlimited My Way plan features unlimited talk, text and data and up to 10 lines can be added all on the same account. The Unlimited My All-in plan features unlimited talk, text and data as well as 5GB of mobile hotspot usage. We also offer price plans tailored to business subscribers such as Business Advantage℠, which allows for the flexibility to mix and match plans that include voice, voice and messaging, or voice, messaging and data to meet individual business needs and also allows the Any Mobile Anytime feature with certain plans.

Prepaid

Our prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber segments. Boost Mobile serves subscribers who are voice and text messaging-centric with its popular Monthly Unlimited plan with Shrinkage service where bills are reduced after six on-time payments. Virgin Mobile serves subscribers who are device and data-oriented with our Beyond Talk™ plans and our broadband plan, Broadband2Go℠, which offer subscribers control, flexibility and connectivity through various communication vehicles. Virgin Mobile is also designated as a Lifeline-only Eligible Telecommunications Carrier in certain states and provides service for the Lifeline program under our Assurance Wireless brand. Assurance Wireless provides eligible subscribers, in certain states, who meet income requirements or are receiving government assistance, with a free wireless phone and 250 free minutes of local and long-distance monthly service.

Wholesale

We have focused our wholesale business on enabling our diverse network of customers to successfully grow their business by providing them with an array of network, product, and device solutions. This allows our customers to customize this full suite of value-added solutions to meet the growing demands of their businesses. As part of these growing demands, some of our wholesale mobile virtual network operators (MVNO) are also selling prepaid services under the Lifeline program.

Services and Products

Data & Voice Services

Wireless data communications services include mobile productivity applications, such as Internet access, messaging and email services; wireless photo and video offerings; location-based capabilities, including asset and fleet management, dispatch services and navigation tools; and mobile entertainment applications, including the

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ability to view live television, listen to satellite radio, download and listen to music, and play games with full-color graphics and polyphonic and real-music sounds from a wireless handset.

Wireless voice communications services include basic local and long distance wireless voice services throughout the U.S., as well as voicemail, call waiting, three-way calling, caller identification, directory assistance and call forwarding. We also provide voice and data services in numerous countries outside of the U.S. through roaming arrangements. We offer customized design, development, implementation and support for wireless services provided to large companies and government agencies.

Products

Our services are provided using a broad array of device selections and applications and services that run on these devices to meet the growing needs of subscriber mobility. Our device portfolio includes many cutting edge devices from various OEMs. Our mobile broadband portfolio consists of devices such as hotspots, which allow the connection of multiple WiFi enabled devices to the Sprint platform. We have generally sold these devices at prices below our cost in response to competition to attract new subscribers and as retention inducements for existing subscribers. However, subscribers now have the option through the Sprint Framily plan or through Sprint Easy Pay to purchase eligible devices at full retail price, which allows them to pay in 24 monthly payments in exchange for reduced service pricing if certain conditions are met. Our Sprint platform can also be accessed through our portfolio of embedded tablets and laptops devices. In addition, we sell accessories, such as carrying cases, hands-free devices, batteries, battery chargers and other items to subscribers, and we sell devices and accessories to agents and other third-party distributors for resale.

Wireless Network Technologies

We deliver wireless services to subscribers primarily through our Sprint platform network. Our Nextel platform, which utilized integrated Digital Enhanced Network (iDEN) technology, was shut-down on June 30, 2013. Our Sprint platform uses primarily 3G CDMA and 4G LTE wireless technologies. The WiMAX technology is in the process of being replaced by LTE, which is expected to be complete by the end of 2015. Our 3G CDMA wireless technology uses a single frequency band and a digital spread-spectrum technique that allows a large number of users to access the band by assigning a code to all voice and data bits, sending a scrambled transmission of the encoded bits over the air and reassembling the voice and data into its original format. Our 4G LTE wireless data communications technology utilizes an all-IP network to deliver high-speed data communications. To integrate voice into LTE, we expect to use Voice over LTE technology (VoLTE). We provide nationwide service through a combination of operating our own network in both major and smaller U.S. metropolitan areas and rural connecting routes, affiliations under commercial arrangements with third-party affiliates and roaming on other providers' networks.

Sales, Marketing and Customer Care

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

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

- direct sales representatives whose efforts are focused on marketing and selling wireless services primarily to mid-sized to large businesses and government agencies;
- retail outlets, owned and operated by us, that focus on sales to the consumer market;
- indirect sales agents and third-party retailers that primarily consist of local and national non-affiliated dealers and independent contractors that market and sell services to businesses and the consumer market, and are generally paid through commissions; and
- subscriber-convenient channels, including Internet sales and telesales.

We market our postpaid services under the Sprint® brand. We generally offer these services on a contract basis typically for a two-year period, with services billed on a monthly basis according to the applicable pricing plan. As a result of the shut-down of the Nextel platform, our efforts prospectively have been to focus on profitable growth through service provided on an enhanced wireless network on the Sprint platform. We market our prepaid services under the Boost Mobile, Virgin Mobile, and Assurance Wireless brands as a means to provide value-driven prepaid service plans to particular markets. Our wholesale customers are resellers of our wireless services rather than end-use subscribers and market their products and services using their brands.

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Although we market our services using traditional print and television advertising, we also provide exposure to our brand names and wireless services through various sponsorships, including the National Association for Stock Car Auto Racing (NASCAR®) and the National Basketball Association (NBA). The goal of these marketing initiatives is to increase brand awareness and sales.
Our customer management organization works to improve our subscribers' experience, with the goal of retaining subscribers of our wireless services. Customer service call centers receive and resolve inquiries from subscribers and proactively address subscriber needs.

Competition
We believe that the market for wireless services has been and will continue to be characterized by competition on the basis of price, the types of services and devices offered, and quality of service. We compete with a number of wireless carriers, including three other national wireless companies: AT&T, Verizon Wireless (Verizon) and T-Mobile (together with us - "Big 4 carriers"). Our primary competitors offer voice, high-speed data, entertainment and location-based services and push-to-talk-type features that are designed to compete with our products and services. AT&T and Verizon also offer competitive wireless services packaged with local and long distance voice, high-speed Internet services and cable and have significant competitive advantages due to their large asset bases and greater scale. Our prepaid services compete with a number of carriers and resellers including TracFone Wireless, which offers competitively-priced calling plans that include unlimited local calling. Additionally, AT&T, T-Mobile and Verizon also offer competitive prepaid services and wholesale services to resellers. Competition will increase as a result of mergers and acquisitions, as new firms enter the market, and as a result of the introduction of other technologies such as LTE, the availability of previously unavailable spectrum bands, such as the AWS-4 spectrum band, and the potential introduction of new services using unlicensed spectrum. Wholesale services and products also contribute to increased competition. In some instances, resellers that use our network and offer similar services compete against our offerings.
Most markets in which we operate have high rates of penetration for wireless services, thereby limiting the growth of subscribers of wireless services. As the wireless market has matured, it has become increasingly important to retain existing subscribers in addition to attracting new subscribers, particularly in less saturated growth markets such as those with non-traditional data demands. Wireless carriers are addressing the growth in non-traditional data needs by working with OEMs to integrate connected devices such as after-market in-vehicle connectivity and electric vehicle charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment and a variety of other consumer electronics and appliances, which utilize wireless networks to increase consumer and business mobility. In addition, we and our competitors continue to offer more service plans that combine voice and data offerings, plans that allow users to add additional mobile devices to their plans at attractive rates, plans with a higher number of bundled minutes included in the fixed monthly charge for the plan, plans that offer the ability to share minutes among a group of related subscribers, or combinations of these features. Consumers respond to these plans by migrating to those they deem most attractive. In addition, wireless carriers also try to appeal to subscribers by offering certain devices at prices lower than their acquisition cost. We may offer higher cost devices at greater discounts than our competitors, with the expectation that the loss incurred on the cost of the device will be offset by future service revenue. As a result, we and our competitors recognize point-of-sale losses that are not expected to be recovered until future periods when services are provided.
During 2013, wireless carriers introduced new plans that allow subscribers to forgo traditional device subsidies in exchange for lower monthly service fees, early upgrade options, or both. In addition, in the later part of 2013, each of the Big 4 carriers launched early upgrade programs that include the device installment payment model. The objective of these plans is to attract subscribers away from device subsidies in exchange for greater upgrade flexibility and data usage options. Under installment billing plans, many carriers, like Sprint, will recognize most of the future expected installment payments for the device on an upfront basis. This accounting treatment allows the carriers to better match equipment revenue with the cost of the device and minimizes the amount of subsidy recognized. On January 10, 2014, Sprint replaced its recently launched Sprint One Up℠ Plan, a device upgrade and installment payment plan, with the Framily plan. During 2013, the impact to our consolidated financial statements from our installment billing plan was

not material.

In addition, we have recently seen aggressive marketing efforts initiated by our competitors, including offering lucrative payments as an additional incentive for subscribers to switch carriers. If, in response to these

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competitor pressures, we decide to make similar offers to our subscribers, then we would expect EBITDA to be negatively impacted in the period of subscriber acquisition. Our ability to effectively compete in the wireless business is dependent upon our ability to retain existing and attract new subscribers in an increasingly competitive marketplace. See "Item 1A. Risk Factors—If we are not able to retain and attract wireless subscribers, our financial performance will be impaired."

Wireline

We provide a broad suite of wireline voice and data communications services to other communications companies and targeted business and consumer subscribers. In addition, we provide voice, data and IP communication services to our Wireless segment, and IP and other services to cable Multiple System Operators (MSOs). Cable MSOs resell our local and long distance services and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-use subscribers.

Services and Products

Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, managed network services, Voice over Internet Protocol (VoIP), Session Initiated Protocol (SIP) and traditional voice services. Our IP services can also be combined with wireless services. Such services include our Sprint Mobile Integration service, which enables a wireless handset to operate as part of a subscriber's wireline voice network, and our DataLink[SM] service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data network, making it easy for businesses to adapt their network to changing business requirements. In addition to providing services to our business customers, the wireline network is carrying increasing amounts of voice and data traffic for our Wireless segment as a result of growing usage by our wireless subscribers.

We continue to assess the portfolio of services provided by our Wireline business and are focusing our efforts on IP-based services and de-emphasizing stand-alone voice services and non-IP-based data services. We also provide wholesale voice local and long distance services to cable MSOs, which they offer as part of their bundled service offerings, as well as traditional voice and data services for their enterprise use. However, the digital voice services we provide to our cable MSOs have become large enough in scale that they have decided to in-source these services and, as a result, we expect this business to continue to decline over time. We also continue to provide voice services to residential consumers. Our Wireline segment markets and sells its services primarily through direct sales representatives.

Competition

Our Wireline segment competes with AT&T, Verizon Communications, CenturyLink, Level 3 Communications, Inc., other major local incumbent operating companies, and cable operators as well as a host of smaller competitors in the provision of wireline services. Over the past few years, our long distance voice services have experienced an industry-wide trend of lower revenue from lower prices and increased competition from other wireline and wireless communications companies, as well as cable MSOs and Internet service providers.

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

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Legislative and Regulatory Developments

Overview

Communications services are subject to regulation at the federal level by the Federal Communications Commission (FCC) and in certain states by public utilities commissions (PUCs). The Communications Act of 1934 (Communications Act) preempts states from regulating the rates or entry of commercial mobile radio service (CMRS) providers, such as those in our Wireless segment, and imposes licensing and technical requirements, including provisions related to the acquisition, assignment or transfer of radio licenses. Depending upon state law, CMRS providers can be subject to state regulation of other terms and conditions of service. Our Wireline segment also is subject to federal and state regulation. Finally, since the SoftBank Merger, we have been subject to certain regulatory conditions imposed by the Committee on Foreign Investment in the United States (CFIUS) pursuant to a National Security Agreement (NSA) between SoftBank, Sprint, the Department of Justice, the Department of Homeland Security and the Department of Defense (the latter three collectively, the USG Parties).

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

Regulation and Wireless Operations

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

- grant licenses in the 800 megahertz (MHz) band, 900 MHz band, 1.9 GHz PCS band, 2.5 GHz band, and license renewals;
- rule on assignments and transfers of control of FCC licenses, and leases covering our use of FCC licenses held by other persons and organizations;
- govern the interconnection of our networks with other wireless and wireline carriers;
- establish access and universal service funding provisions;
- impose rules related to unauthorized use of and access to subscriber information;
- impose fines and forfeitures for violations of FCC rules;
- regulate the technical standards governing wireless services; and
- impose other obligations that it determines to be in the public interest

We hold 800 MHz, 900 MHz, 1.9 GHz and 2.5 GHz FCC licenses authorizing the use of radio frequency spectrum to deploy our wireless services.

800 MHz and 900 MHz License Conditions

Spectrum in our 800 MHz and 900 MHz bands originally was licensed in small groups of channels, therefore, we hold thousands of these licenses, which together allow us to provide coverage across much of the continental U.S. Our 800 MHz and 900 MHz licenses are subject to requirements that we meet population coverage benchmarks tied to the initial license grant dates. To date, we have met all of the construction requirements

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applicable to these licenses, except in the case of licenses that are not material to our business. Our 800 MHz and 900 MHz licenses have ten-year terms, at the end of which each license is subject to renewal requirements that are similar to those for our 1.9 GHz licenses described below.

1.9 GHz PCS License Conditions

All PCS licenses are granted for ten-year terms. For purposes of issuing PCS licenses, the FCC utilizes major trading areas (MTAs) and basic trading areas (BTAs) with several BTAs making up each MTA. Each license is subject to build-out requirements, which we have met in all of our MTA and BTA markets.

If applicable build-out conditions are met, these licenses may be renewed for additional ten-year terms. Renewal applications are not subject to auctions. If a renewal application is challenged, the FCC grants a preference commonly referred to as a license renewal expectancy to the applicant if the applicant can demonstrate that it has provided "substantial service" during the past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The licenses for the 10 MHz of spectrum in the 1.9 GHz band that we received as part of the FCC's Report and Order, described below, have ten-year terms and are not subject to specific build-out conditions, but are subject to renewal requirements that are similar to those for our PCS licenses.

2.5 GHz License Conditions

We own or lease spectrum located within the 2496 to 2690 MHz band, commonly referred to as the 2.5 GHz band, which is designated for Broadband Radio Services (BRS) and Educational Broadband Service (EBS). Most BRS and EBS licenses are allocated to specific geographic service areas. Other BRS licenses provide for 493 separate BTAs. Under current FCC rules, the BRS and EBS band in each territory is generally divided into 33 channels consisting of a total of 186 MHz of spectrum, with an additional eight MHz of guard band spectrum, which further protects against interference from other license holders. Under current FCC rules, we can access BRS spectrum either through outright ownership of a BRS license issued by the FCC or through a leasing arrangement with a BRS license holder. The FCC rules generally limit eligibility to hold EBS licenses to accredited educational institutions and certain governmental, religious and nonprofit entities, but permit those license holders to lease up to 95% of their capacity for non-educational purposes. Therefore, we primarily access EBS spectrum through long-term leasing arrangements with EBS license holders. Generally, EBS leases entered into before January 10, 2005 may remain in effect for up to 15 years and may be renewed and assigned in accordance with the terms of those leases and the applicable FCC rules and regulations. The initial term of EBS leases entered into after January 10, 2005 is required by FCC rules to be coterminous with the term of the license. Our EBS spectrum leases typically have an initial term equal to the remaining term of the EBS license, with an option to renew the lease for additional terms, for a total lease term of up to 30 years. In addition, we generally have a right of first refusal for a period of time after our leases expire or otherwise terminate to match another party's offer to lease the same spectrum. Our leases are generally transferable, assuming we obtain required governmental approvals.

Spectrum Reconfiguration Obligations

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band (the "Report and Order"). The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. Also, in exchange, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band.

The minimum cash obligation under the Report and Order is $2.8 billion. We are, however, obligated to pay the full amount of the costs relating to the reconfiguration plan, even if those costs exceed $2.8 billion. As required under the terms of the Report and Order, a letter of credit has been secured to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. Total payments directly attributable to our performance under the Report and Order, from the inception of the program through December 31, 2013, were approximately $3.3 billion, of which primarily all payments incurred during the year ended December 31, 2013 related to FCC licenses. When incurred, substantially all costs are accounted for as additions to FCC licenses with the remainder as property, plant and equipment. Although costs incurred through December 31, 2013 have exceeded $2.8 billion, not all of those costs have been reviewed and accepted as eligible by the transition administrator.

Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008. The FCC continues to grant 800 MHz public safety licensees additional time to complete their band reconfigurations which, in

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turn, delays our access to some of our 800 MHz replacement channels. Accordingly, we will continue to transition to our 800 MHz replacement channels consistent with public safety licensees' reconfiguration progress. On May 24, 2012, the FCC revised its rules to authorize Sprint to deploy wireless broadband services, such as CDMA and LTE, on its 800 MHz spectrum, including channels that become available to Sprint upon completion of the 800 MHz band reconfiguration program.We anticipate that the continuing reconfiguration progress will be sufficient to support the 800 MHz portion of our network modernization. In January 2013, we submitted a request for declaratory ruling to the FCC requesting two items: (i) that it declare that Sprint will not owe any anti-windfall payment to the U.S. Treasury, because we have exceeded the $2.8 billion of required expenditures, and (ii) that the FCC remove the $850 million minimum for the letter of credit and allow further reductions based on quarterly estimates of remaining obligations. This request for declaratory ruling is pending before the FCC.

New Spectrum Opportunities and Spectrum Auctions

Several FCC proceedings and initiatives are underway that may affect the availability of spectrum used or useful in the provision of commercial wireless services, which may allow new competitors to enter the wireless market. While in general we cannot predict when or whether the FCC will conduct any spectrum auctions or if it will release additional spectrum that might be useful to wireless carriers, including us, in the future, the FCC has taken steps to license spectrum designated for auction in the Middle Class Tax Relief and Job Creation Act of 2012. In particular, the FCC has initiated three proceedings to auction the advanced wireless services H Block, advanced wireless services in the 1.7 and 2 GHz bands (AWS-3), and to reallocate and auction broadcast spectrum in the 600 MHz Band. We are not participating in the H Block auction.

911 Services

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

National Security

National security and disaster recovery issues continue to receive attention at the federal, state and local levels. For example, Congress is expected to again consider cyber security legislation to increase the security and resiliency of the nation's digital infrastructure. In 2013, the President issued an executive order directing the Department of Homeland Security and other government agencies to take a number of steps to improve the security of the nation's critical infrastructure. The details surrounding the implementation of this order have not been resolved, however, and we cannot predict the cost impact of such measures. Moreover, the FCC continues to examine issues of network resiliency and reliability and may seek to impose additional regulations designed to reduce the severity and length of disruptions in communications. Again, we cannot predict the cost impact of any regulations the FCC adopts.

National Security Agreement

As a precondition to CFIUS approval of the SoftBank Merger, the USG Parties required that SoftBank and Sprint enter into the NSA, under which SoftBank and Sprint have agreed to implement certain measures to protect national security, certain of which may materially and adversely affect our operating results due to increasing the cost of compliance with security measures, and limiting our control over certain U.S. facilities, contracts, personnel, vendor selection and operations. If we fail to comply with our obligations under the NSA our ability to operate our business may be adversely affected.

Tower Siting

Wireless systems must comply with various federal, state and local regulations that govern the siting, lighting and construction of transmitter towers and antennas, including requirements imposed by the FCC and the Federal Aviation Administration. FCC rules subject certain cell site locations to extensive zoning, environmental and historic preservation requirements and mandate consultation with various parties, including State and Tribal Historic

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Preservation Offices, which can make it more difficult and expensive to deploy facilities. The FCC has, however, imposed a tower siting "shot clock" that requires local authorities to address tower applications within a specific timeframe, which can assist carriers in more rapid deployment of towers. The FCC antenna structure registration process also imposes public notice requirements when plans are made for construction of, or modification to, antenna structures required to be registered with the FCC, potentially adding to the delays and burdens associated with tower siting, including potential challenges from special interest groups. To the extent governmental agencies continue to impose additional requirements like this on the tower siting process, the time and cost to construct cell towers could be negatively impacted.

State and Local Regulation

While the Communications Act generally preempts state and local governments from regulating entry of, or the rates charged by, wireless carriers, certain state PUCs and local governments regulate customer billing, termination of service arrangements, advertising, certification of operation, use of handsets when driving, service quality, sales practices, management of customer call records and protected information and many other areas. Also, some state attorneys general have become more active in bringing lawsuits related to the sales practices and services of wireless carriers. Varying practices among the states may make it more difficult for us to implement national sales and marketing programs. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC, and some states are requiring wireless carriers to help fund additional programs, including the implementation of E911 and the provision of intrastate relay services for consumers who are hearing impaired. We anticipate that these trends will continue to require us to devote legal and other resources to work with the states to respond to their concerns while attempting to minimize any new regulation and enforcement actions that could increase our costs of doing business.

Regulation and Wireline Operations

Competitive Local Service

The Telecommunications Act of 1996 (Telecom Act), which was the first comprehensive update of the Communications Act, was designed to promote competition, and it eliminated legal and regulatory barriers for entry into local and long distance communications markets. It also required incumbent local exchange carriers (ILECs) to allow resale of specified local services at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to certain unbundled network elements and allow co-location of interconnection equipment by competitors. The rules implementing the Telecom Act continue to be interpreted by the courts, state PUCs and the FCC. Thus, the scope of future local competition remains uncertain. These local competition rules impact us because we provide wholesale services to cable television companies that wish to compete in the local voice telephony market. Our communications and back-office services enable the cable companies to provide competitive local and long distance telephone services primarily in a VoIP format to their end-use customers.

Voice over Internet Protocol

We offer VoIP-based services to business subscribers and transport VoIP-originated traffic for various cable companies. The FCC issued an order in late 2010 reforming, among other things, its regulatory structure governing intercarrier compensation and again declined to classify VoIP services as either telecommunications services or information services. However, it prescribed the rates applicable to the exchange of traffic between a VoIP provider and a local exchange carrier providing service on the public switched telephone network (PSTN). The rate for toll VoIP-PSTN traffic is the interstate access rate applicable to non-VoIP traffic regardless of whether the traffic is interstate or intrastate. The rate for non-toll VoIP-PSTN traffic is the applicable reciprocal compensation rate. These rates will be reduced over the next several years as the industry transitions to bill-and-keep methodology for the exchange of all traffic. Providers of interconnected VoIP will continue to be required to contribute to the federal Universal Service Fund (USF), offer E911 emergency calling capabilities to their subscribers, and comply with the electronic surveillance obligations set forth in the Communications Assistance for Law Enforcement Act (CALEA). Because we provide VoIP services and transport VoIP-originated traffic, the FCC's rate prescription decision is expected to reduce our costs for such traffic over time as well as reduce disputes between carriers that often result in litigation.

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International Regulation
The wireline services we provide outside the U.S. are subject to the regulatory jurisdiction of foreign governments and international bodies. In general, we are required to obtain licenses to provide wireline services and comply with certain government requirements.
Other Regulations
Network Neutrality
On December 22, 2010, the FCC adopted so-called net neutrality rules. The FCC rules for fixed broadband Internet access services consisted of: (a) an obligation to provide transparency to consumers regarding network management practices, performance characteristics, and commercial terms of service; (b) a prohibition on blocking access to lawful content, applications, services and devices; and (c) a prohibition on unreasonable discrimination. The FCC acknowledged, however, that mobile broadband faced different constraints and adopted lesser obligations for mobile providers. Accordingly, the rules for mobile broadband operators required that they: (a) provide transparency to consumers in the same manner as fixed providers; and (b) not block access to lawful websites and applications that compete with the provider's own voice or video telephony services. Other rules applicable to fixed broadband, including no blocking of other applications, services or devices, and the prohibition of "unreasonable discrimination," did not apply to mobile providers. On January 14, 2014, the U.S. Court of Appeals for the District of Columbia Circuit vacated the FCC’s "no-blocking" rule for fixed and mobile operators and the "no unreasonable discrimination" rule for fixed providers. The court left in place the "transparency" rule applicable to both fixed and mobile operators. The court’s decision left open the possibility that the FCC could alter its legal foundation and reenact the vacated rules. Because the net neutrality rules applicable to mobile broadband were relatively narrow and because we have deployed open mobile operating platforms on our devices, such as the Android platform created in conjunction with Google and the Open Handset Alliance, the rules, if reenacted by the FCC under a permissible legal foundation or otherwise brought back into force, should not adversely affect the operation of our broadband networks or significantly constrain our ability to manage the networks and protect our users from harm caused by other users and devices.
Truth in Billing and Consumer Protection
The FCC's Truth in Billing rules generally require both wireline and wireless telecommunications carriers, such as us, to provide full and fair disclosure of all charges on their bills, including brief, clear, and non-misleading plain language descriptions of the services provided. In response to a petition from the National Association of State Utility Consumer Advocates, the FCC found that state regulation of CMRS rates, including line items on consumer bills, is preempted by federal statute. This decision was overturned by the U.S. Court of Appeals for the Eleventh Circuit and the Supreme Court denied further appeal. As a consequence, states may attempt to impose various regulations on the billing practices of wireless carriers. In addition, the FCC has opened several proceedings to address issues of consumer protection, including the use of early termination fees, the FCC has opened an investigation into "bill shock" concerning overage charges for voice, data and text usage, and has proposed new rules to address cramming. The wireless industry has proactively addressed many of these consumer issues by adopting industry best practices such as the addition of free notifications for voice, data, messaging and international roaming to address the FCC's bill shock proceeding. If these FCC proceedings or individual state proceedings create changes in the Truth in Billing rules, our billing and customer service costs could increase.
Access Charge Reform
ILECs and competitive local exchange carriers (CLECs) impose access charges for the origination and termination of long distance calls upon wireless and long distance carriers, including our Wireless and Wireline segments. Also, interconnected local carriers, including our Wireless segment, pay to each other reciprocal compensation fees for terminating interconnected local calls. In addition, ILECs and CLECs charge other carriers special access charges for access to dedicated facilities that are paid by both our Wireless and Wireline segments. These fees and charges are a significant cost for our Wireless and Wireline segments. In November 2011, the FCC adopted comprehensive intercarrier compensation reforms, including a multi-year transition to a system of bill-and-keep for terminating switched access charges. These reforms have decreased and are expected to continue to decrease our terminating switched access expense over time.

In 2012, the FCC released an order freezing the existing special access pricing flexibility "triggers," and another order requiring parties to submit information needed to assess the level of competition in the special access

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market. The FCC also has initiated a further notice of proposed rulemaking to consider whether special access pricing flexibility rules need to be changed, and whether the terms and conditions governing the provision of special access are just and reasonable. In 2013, the FCC issued a proposed mandatory data collection effort which is expected to be completed in 2014. We continue to advocate for special access reform but cannot predict when these proceedings will be completed or the outcome of these proceedings.

Universal Service Reform

Communications carriers contribute to and receive support from various USFs established by the FCC and many states. The federal USF program funds services provided in high-cost areas, reduced-rate services to low-income consumers, and discounted communications and Internet services for schools, libraries and rural health care facilities. The USF is funded from assessments on communications providers, including our Wireless and Wireline segments, based on FCC-prescribed contribution factors applicable to our interstate and international end-user revenues from telecommunications services and interconnected VoIP services. Similarly, many states have established their own USFs to which we contribute. The FCC has considered changing its USF contribution methodology, and may replace the interstate telecommunications revenue-based assessment with one based on either connections (telephone numbers or connections to the public network) or by expanding the revenue base to include data revenues. The latter approach in particular could impact the amount of our assessments. The FCC issued a notice of proposed rulemaking on USF reform in April 2012, but has not announced an estimated timeline for adoption of an order in this proceeding. In addition, the FCC issued a decision redefining the manner in which carriers certify their compliance with USF obligations on facilities used in the provision of information services beginning in 2014. The FCC's new service-by-service certification process may increase our cost of complying with the FCC's USF obligations and/or our USF contribution obligations in some circumstances. This order has been challenged on appeal and various carriers have sought reconsideration of the decision before the FCC. As permitted, we assess subscribers a fee to recover our USF contributions.

Virgin Mobile was designated as a Lifeline-only Eligible Telecom Carrier (ETC) in 41 jurisdictions as of December 31, 2013, and provides service under our Assurance Wireless brand. Lifeline ETC applications are planned in other jurisdictions as well. Changes in the Lifeline program and enforcement actions by the FCC and other regulatory/legislative bodies could negatively impact growth in the Assurance Wireless and wholesale subscriber base and/or the profitability of the Assurance Wireless and wholesale business overall.

Electronic Surveillance Obligations

The CALEA requires telecommunications carriers, including us, to modify equipment, facilities and services to allow for authorized electronic surveillance based on either industry or FCC standards. Our CALEA obligations have been extended to data and VoIP networks, and we are in compliance with these requirements. Certain laws and regulations require that we assist various government agencies with electronic surveillance of communications and provide records concerning those communications. We do not disclose customer information to the government or assist government agencies in electronic surveillance unless we have been provided a lawful request for such information. If our obligations under these laws and regulations were to change or were to become the focus of any inquiry or investigation, it could require us to incur additional costs and expenses, which could adversely affect our financial condition or results of operation.

Environmental Compliance

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

Patents, Trademarks and Licenses

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

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

Access to Public Filings and Board Committee Charters

Important information is routinely posted on our website at www.sprint.com. Public access is provided to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed with or furnished to the SEC under the Exchange Act. These documents may be accessed free of charge on our website at the following address: http://www.sprint.com/investors. These documents are available as soon as reasonably practicable after filing with the SEC and may also be found at the SEC's website at www.sec.gov. Information contained on or accessible through our website or the SEC's website is not part of this annual report on Form 10-K.

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

Employee Relations

As of December 31, 2013, we had approximately 38,000 employees.

Item 1A. Risk Factors

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

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

We are in the business of selling communications services to subscribers, and our success is based on our ability to retain current subscribers and attract new subscribers. If we are unable to retain and attract wireless subscribers, our financial performance will be impaired and we could fail to meet our financial obligations. Beginning in 2008 through December 31, 2013, we have experienced net decreases in our total retail postpaid subscriber base of approximately 11.9 million subscribers (excluding the impact of our acquisitions).

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

- our ability to anticipate and respond to various competitive factors, including our successful execution of marketing and sales strategies; the acceptance of our value proposition; service delivery and customer care activities, including new account set up and billing; and credit and collection policies;
- our ability to operationalize the anticipated benefits from the SoftBank Merger and the Clearwire Acquisition;
- our successful deployment of new technologies and services;

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- actual or perceived quality and coverage of our networks;
- public perception about our brands;
- our ability to anticipate and develop new or enhanced technologies, products and services that are attractive to existing or potential subscribers;
- our ability to access additional spectrum; and
- our ability to maintain our current mobile virtual network operator (MVNO) relationships and to enter into new arrangements with MVNOs.

Our ability to retain subscribers may be negatively affected by industry trends related to subscriber contracts. For example, we and some of our competitors no longer require consumers to enter into annual service contracts for postpaid service. In addition, we have recently seen aggressive marketing efforts initiated by our competitors, including offering substantive additional incentives for subscribers to switch carriers. These types of changes could negatively affect our ability to retain subscribers and could lead to an increase in our churn rates if we are not successful in providing an attractive product and service mix.

Moreover, service providers frequently offer wireless equipment, such as devices, below acquisition cost as a method to retain and attract subscribers that enter into wireless service agreements for periods usually extending 12 to 24 months. Equipment cost in excess of the revenue generated from equipment sales is referred to in the industry as equipment net subsidy and is generally recognized as an expense when title of the device passes to the dealer or end-user subscriber. The cost of multi-functional devices, such as smartphones, including the iPhone®, has increased significantly in recent years as a result of enhanced capabilities and functionality. At the same time, wireless service providers continue to compete on the basis of price, including the price of devices offered to subscribers, which has resulted in increased equipment net subsidy. In 2011, we entered into a purchase commitment with Apple, Inc. that increases the average equipment net subsidy for postpaid devices resulting in a reduction to consolidated results from operations and reduced cash flow from operations associated with initiation of service for these devices until such time that retail service revenues associated with subscribers acquiring these devices exceeds such costs.

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

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

We compete with a number of other wireless service providers in each of the markets in which we provide wireless services, and we expect competition may increase if additional spectrum is made available for commercial wireless services and as new technologies are developed and launched. As smartphone penetration increases, we continue to expect an increased usage of data on our network. Competition in pricing and service and product offerings may also adversely impact subscriber retention and our ability to attract new subscribers, with adverse effects on our results of operations. A decline in the average revenue per subscriber coupled with a decline in the number of subscribers would negatively impact our revenues, cash flows and profitability, which, in turn, could adversely impact our ability to meet our financial obligations.

The wireless communications industry is experiencing significant technological change, including improvements in the capacity and quality of digital technology and the deployment of unlicensed spectrum devices. These developments cause uncertainty about future subscriber demand for our wireless services and the prices that we will be able to charge for these services. As services, technology and devices evolve, we also expect continued pressure on voice, text and other service revenue. Spending by our competitors on new wireless services and network improvements could enable our competitors to obtain a competitive advantage with new technologies or enhancements that we do not offer. Rapid changes in technology may lead to the development of wireless communications technologies, products or alternative services that are superior to our technologies, products or

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services or that consumers prefer over ours. If we are unable to meet future advances in competing technologies on a timely basis, or at an acceptable cost, we may not be able to compete effectively and could lose subscribers to our competitors.

Some competitors and new entrants may be able to offer subscribers network features or products and services not offered by us, coverage in areas not served by our wireless networks or pricing plans that are lower than those offered by us, all of which would negatively affect our average revenue per subscriber, subscriber churn, ability to attract new subscribers, and profitability.

The success of our network modernization plans, will depend on the timing, extent and cost of implementation; access to spectrum; the performance of third-parties and related parties; upgrade requirements; and the availability and reliability of the various technologies required to provide such modernization.

We must continually invest in our wireless network in order to continually improve our wireless service to meet the increasing demand for usage of our data and other non-voice services and remain competitive.

Improvements in our service depend on many factors, including our ability to adapt to future changes in technologies and continued access to and deployment of adequate spectrum, including any leased spectrum. We must maintain and expand our network capacity and coverage as well as the associated wireline network needed to transport voice and data between cell sites. If we are unable to obtain access to additional spectrum to increase capacity or to deploy the services subscribers desire on a timely basis or at acceptable costs while maintaining network quality levels, our ability to retain and attract subscribers could be adversely affected, which would negatively impact our operating margins.

If we fail to provide a competitive network, our ability to provide wireless services to our subscribers, to retain and attract subscribers and to maintain and grow our subscriber revenues could be adversely affected.

Using a new and sophisticated technology on a very large scale entails risks. For example, deployment of new technology from time to time has, and in the future may, adversely affect the performance of existing services on our networks and result in increased churn. Should implementation of our upgraded network be delayed or costs exceed expected amounts, our margins could be adversely affected and such effects could be material. Should the delivery of services expected to be deployed on our upgraded network be delayed due to technological constraints, performance of third-party suppliers, zoning and leasing restrictions or permit issues or other reasons, the cost of providing such services could become higher than expected, ultimately increasing our cost to subscribers and resulting in decisions to purchase services from our competitors, which would adversely affect our revenues, profitability and cash flow from operations.

Current economic and market conditions, our recent financial performance, our high debt levels, and our debt ratings could negatively impact our access to the capital markets resulting in less growth than planned or failure to satisfy financial covenants under our existing debt agreements.

We expect to incur additional debt in the future for a variety of reasons, such as refinancing our maturing debt, financing our network modernization plan or other working capital needs, including equipment net subsidies, future investments or acquisitions. Our ability to obtain additional financing will depend on, among other factors, current economic and market conditions, our financial performance, our high debt levels, and our debt ratings. Some of these factors are beyond our control, and we may not be able to obtain additional financing on terms acceptable to us or at all. Failure to obtain suitable financing when needed could, among other things, result in our inability to continue to expand our businesses and meet competitive challenges, including implementation of our network modernization plan on our current timeline.

Instability in the global financial markets may result in periodic volatility in the credit, equity and fixed income markets. This volatility could limit our access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are acceptable to us or at all.

We have incurred substantial amounts of indebtedness to finance operations and other general corporate purposes. Our consolidated principal amount of indebtedness was $31.5 billion at December 31, 2013. As a result, we are highly leveraged and will continue to be highly leveraged. Accordingly, our debt service requirements are significant in relation to our revenues and cash flow. This leverage exposes us to risk in the event of downturns in our businesses (whether through competitive pressures or otherwise), in our industry or in the economy generally,

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and may impair our operating flexibility and our ability to compete effectively, particularly with respect to competitors that are less leveraged.

The debt ratings for our outstanding notes are currently below the "investment grade" category, which results in higher borrowing costs than investment grade debt as well as reduced marketability of our debt. Our debt ratings could be further downgraded for various reasons, including if we incur significant additional indebtedness or if we do not generate sufficient cash from our operations, which would likely increase our future borrowing costs and could adversely affect our ability to obtain additional capital.

An unsecured revolving bank credit facility and an unsecured loan agreement with Export Development Canada (EDC Agreement) requires us to maintain a certain covenant leverage ratio. If we do not continue to satisfy this required ratio or receive waivers from our lenders, we will be in default under the revolving bank credit facility and the EDC Agreement, which could trigger defaults under our other debt obligations, which in turn could result in the maturities of certain debt obligations being accelerated. In addition to the covenants in the revolving bank credit facility, the EDC Agreement and our secured equipment credit facility, certain indentures governing notes issued by our subsidiaries limit, among other things, our ability to incur additional debt, pay dividends, create liens and sell, transfer, lease or dispose of assets. Such restrictions could adversely affect their ability to access the capital markets or engage in certain transactions.

The trading price of our common stock has been and may continue to be volatile and may not reflect our actual operations and performance.

Market and industry factors may adversely impact the market price of our common stock, regardless of our actual operations and performance. Stock price volatility and sustained decreases in our share price could subject our stockholders to losses and may adversely impact our ability to issue equity. The trading price of our common stock has been, and may continue to be, subject to fluctuations in response to various factors, some of which are beyond our control, including, but not limited to:

- quarterly announcements and variations in our results of operations or those of our competitors, either alone or in comparison to analysts' expectations or prior company estimates, including announcements of subscriber counts, rates of churn, and operating margins that would result in downward pressure on our stock price;
- the cost and availability or perceived availability of additional capital and market perceptions relating to our access to capital;
- announcements by us or our competitors, or market speculation, of acquisitions, spectrum acquisitions, new products, technologies, significant contracts, commercial relationships or capital commitments;
- market and pricing risks due to concentrated ownership of stock;
- the performance of SoftBank and SoftBank’s ordinary shares or speculation about the possibility of future actions SoftBank may take in connection with us;
- disruption to our operations or those of other companies critical to our network operations;
- our ability to develop and market new and enhanced technologies, products and services on a timely and cost-effective basis, including implementation of our network modernization;
- recommendations by securities analysts or changes in their estimates concerning us;
- the incurrence of additional debt, dilutive issuances of our stock, short sales or hedging of, and other derivative transactions, in our common stock;
- any significant change in our board of directors or management;
- litigation;
- changes in governmental regulations or approvals; and
- perceptions of general market conditions in the technology and communications industries, the U.S. economy and global market conditions.

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Consolidation and competition in the wholesale market for wireline services, as well as consolidation of our roaming partners and access providers used for wireless services, could adversely affect our revenues and profitability.

Our Wireline segment competes with AT&T, Verizon Communications, CenturyLink, Level 3 Communications Inc., other major local incumbent operating companies, and cable operators, as well as a host of smaller competitors. Some of these companies have high-capacity, IP-based fiber-optic networks capable of supporting large amounts of voice and data traffic. Some of these companies claim certain cost structure advantages that, among other factors, may allow them to offer services at lower prices than we can. In addition, consolidation by these companies could lead to fewer companies controlling access to more cell sites, enabling them to control usage and rates, which could negatively affect our revenues and profitability.

We provide wholesale services under long-term contracts to cable television operators, which enable these operators to provide consumer and business digital telephone services. These contracts may not be renewed as they expire. Increased competition and the significant increase in capacity resulting from new technologies and networks may drive already low prices down further. AT&T and Verizon Communications continue to be our two largest competitors in the domestic long distance communications market. We and other long distance carriers depend heavily on local access facilities obtained from incumbent local exchange carriers (ILECs) to serve our long distance subscribers, and payments to ILECs for these facilities are a significant cost of service for our Wireline segment. The long distance operations of AT&T and Verizon Communications have cost and operational advantages with respect to these access facilities because those carriers serve significant geographic areas, including many large urban areas, as the ILECs.

In addition, our Wireless segment could be adversely affected by changes in rates and access fees that result from consolidation of our roaming partners and access providers, which could adversely affect our revenues and profitability.

The blurring of the traditional dividing lines among long distance, local, wireless, video and Internet services contributes to increased competition.

The traditional dividing lines among long distance, local, wireless, video and Internet services are increasingly becoming blurred. In addition, the dividing lines between voice and data services are also becoming blurred. Through mergers, joint ventures and various service expansion strategies, major providers are striving to provide integrated services in many of the markets we serve. This trend is also reflected in changes in the regulatory environment that have encouraged competition and the offering of integrated services. We expect competition to continue to intensify as a result of the entrance of new competitors or the expansion of services offered by existing competitors, and the rapid development of new technologies, products and services. We cannot predict which of many possible future technologies, products, or services will be important to maintain our competitive position or what expenditures we will be required to make in order to develop and provide these technologies, products or services. To the extent we do not keep pace with technological advances or fail to timely respond to changes in the competitive environment affecting our industry, we could lose market share or experience a decline in revenue, cash flows and net income. As a result of the financial strength and benefits of scale enjoyed by some of our competitors, they may be able to offer services at lower prices than we can, thereby adversely affecting our revenues, growth and profitability.

If we are unable to improve our results of operations, we face the possibility of charges for impairments of long-lived assets.

We review our long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. If we continue to have operational challenges, including obtaining and retaining subscribers, our future cash flows may not be sufficient to recover the carrying value of our long-lived assets, and we could record asset impairments that are material to our results of operations and financial condition. If we continue to have challenges retaining subscribers and as we modernize our network, management may conclude, in future periods, that certain equipment assets will never be either deployed or redeployed, in which case cash and/or non-cash charges that could be material to our consolidated financial statements would be recognized.

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We have entered into agreements with unrelated parties for certain business operations. Any difficulties experienced by us in these arrangements could result in additional expense, loss of subscribers and revenue, interruption of our services or a delay in the roll-out of new technology.

We have entered into agreements with unrelated parties for the day-to-day execution of services, provisioning, maintenance, and modernization of our wireless and wireline networks, the development and maintenance of certain systems necessary for the operation of our business, and for network equipment, handsets, devices, and other equipment. We expect our dependence on key suppliers to continue as more advanced technologies are developed. We also have agreements with unrelated parties to provide customer service and related support to our wireless subscribers and outsourced aspects of our wireline network and back office functions. In addition, we have lease and sublease agreements with unrelated parties for space on communications towers. As a result, we must rely on unrelated parties to perform certain of our operations and, in certain circumstances, interface with our subscribers. If these unrelated parties were unable to perform to our requirements, we may not be able to pursue alternatives strategies which could adversely affect our business. Even if we are able to pursue alternative strategies, we could experience delays, interruptions, additional expenses and loss of subscribers.

The products and services utilized by us and our suppliers and service providers may infringe on intellectual property rights owned by others.

Some of our products and services use intellectual property that we own. We also purchase products from suppliers, including device suppliers, and outsource services to service providers, including billing and customer care functions, that incorporate or utilize intellectual property. We and some of our suppliers and service providers have received, and may receive in the future, assertions and claims from third parties that the products or software utilized by us or our suppliers and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require us or an infringing supplier or service provider to cease certain activities or to cease selling the relevant products and services. These claims can be time-consuming and costly to defend, and divert management resources. If these claims are successful, we could be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks, which could adversely affect our results of operations.

Government regulation could adversely affect our prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth or results of operations.

The FCC and other federal, state and local, as well as international, governmental authorities have jurisdiction over our business and could adopt regulations or take other actions that would adversely affect our business prospects or results of operations.

The licensing, construction, operation, sale and interconnection arrangements of wireless telecommunications systems are regulated by the FCC and, depending on the jurisdiction, international, state and local regulatory agencies. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to how radio spectrum is used by licensees, the nature of the services that licensees may offer and how the services may be offered, and resolution of issues of interference between spectrum bands.

The FCC grants wireless licenses for terms of generally ten years that are subject to renewal and revocation. There is no guarantee that our licenses will be renewed. Failure to comply with FCC requirements applicable to a given license could result in revocation of that license and, depending on the nature of the non-compliance, other Sprint licenses.

Depending on their outcome, the FCC's proceedings regarding regulation of special access rates could affect the rates paid by our Wireless and Wireline segments for special access services in the future. Similarly, depending on their outcome, the FCC's proceedings on the regulatory classification of VoIP services and a pending appeal of the FCC's 2011 order reforming universal service for high cost area and intercarrier compensation could affect the intercarrier compensation rates and the level of Universal Service Fund (USF) contributions paid by us.

Various states are considering regulations over terms and conditions of service, including certain billing practices and consumer-related issues that may not be pre-empted by federal law. If imposed, these regulations could make it more difficult and expensive to implement national sales and marketing programs and could increase the costs of our wireless operations.

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Degradation in network performance caused by compliance with government regulation, such as "net neutrality," loss of spectrum or additional rules associated with the use of spectrum in any market could result in an inability to attract new subscribers or higher subscriber churn in that market, which could adversely affect our revenues and results of operations. Furthermore, additional costs or fees imposed by governmental regulation could adversely affect our revenues, future growth and results of operations.

Changes to the federal Lifeline Assistance Program could negatively impact the growth of the Assurance Wireless™ and wholesale subscriber base and the profitability of the Assurance Wireless and wholesale business overall.

Virgin Mobile USA, L.P., our wholly-owned subsidiary, offers service to low-income subscribers eligible for the federal Lifeline Assistance program under the brand Assurance Wireless. Assurance Wireless provides a monthly discount to eligible subscribers in the form of free blocks of minutes and text messages. Moreover, some of our wholesale customers also offer service to subscribers eligible for the federal Lifeline Assistance program. This discount is subsidized by the Low-Income Program of the federal USF and administered by the Universal Service Administrative Company. In 2012, the FCC adopted reforms to the Low Income program to increase program effectiveness and efficiencies. More stringent eligibility and certification requirements have made it more difficult for Lifeline service providers to sign up and retain Lifeline subscribers. Some regulators and legislators have questioned the structure of the current program, and the FCC is continuing to review and implement measures to improve the program, including enforcement action involving alleged rule violations, and roll-out of the National Lifeline Accountability Database. Changes in the Lifeline program as a result of the ongoing FCC proceeding or new legislation, or potential enforcement action, could negatively impact growth in the Assurance Wireless and wholesale subscriber base and/or the profitability of the Assurance Wireless and wholesale business overall.

If our business partners and subscribers fail to meet their contractual obligations, it could negatively affect our results of operations.

The current economic environment has made it difficult for businesses and consumers to obtain credit, which could cause our suppliers, distributors and subscribers to have problems meeting their contractual obligations with us. If our suppliers are unable to fulfill our orders or meet their contractual obligations with us, we may not have the services or devices available to meet the needs of our current and future subscribers, which could cause us to lose current and potential subscribers to other carriers. In addition, if our distributors are unable to stay in business, we could lose distribution points, which could negatively affect our business and results of operations. If our subscribers are unable to pay their bills or potential subscribers feel they are unable to take on additional financial obligations, they may be forced to forgo our services, which could negatively affect our results of operations.

Our reputation and business may be harmed and we may be subject to legal claims if there is loss, disclosure or misappropriation of or access to our subscribers' or our own information or other breaches of our information security.

We make extensive use of online services and centralized data processing, including through third-party service providers. The secure maintenance and transmission of customer information is an important element of our operations. Our information technology and other systems that maintain and transmit customer information, including location or personal information, or those of service providers, may be compromised by a malicious third-party penetration of our network security, or that of a third-party service provider, or impacted by advertent or inadvertent actions or inactions by our employees, or those of a third-party service provider. Cyber attacks, which include the use of malware, computer viruses and other means for disruption or unauthorized access, have increased in frequency, scope and potential harm in recent years. While, to date, we have not been subject to cyber attacks or other cyber incidents which, individually or in the aggregate, have been material to our operations or financial condition, the preventive actions we take to reduce the risk of cyber incidents and protect our information technology and networks may be insufficient to repel a major cyber attack in the future. As a result, our subscribers’ information may be lost, disclosed, accessed, used, corrupted, destroyed or taken without the subscribers’ consent.

In addition, we and third-party service providers process and maintain our proprietary business information and data related to our business-to-business customers or suppliers. Our information technology and other systems that maintain and transmit this information, or those of service providers, may also be compromised by a malicious third-party penetration of our network security or that of a third-party service provider, or impacted

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by intentional or inadvertent actions or inactions by our employees or those of a third-party service provider. We also purchase equipment from third parties that could contain software defects, Trojan horses, malware, or other means by which third parties could access our network or the information stored or transmitted on such networks or equipment. As a result, our business information, or subscriber or supplier data may be lost, disclosed, accessed, used, corrupted, destroyed or taken without consent.

Any major compromise of our data or network security, failure to prevent or mitigate the loss of our services or customer information and delays in detecting any such compromise or loss could disrupt our operations, impact our reputation and subscribers' willingness to purchase our service and subject us to additional costs and liabilities, including litigation, which could be material.

Any acquisitions, strategic investments or mergers may subject us to significant risks, any of which may harm our business.

As part of our long term strategy, we regularly evaluate potential acquisitions, strategic investments and mergers and actively engage in discussions with potential counterparties. Over time, we may acquire, make investments in, or merge with companies that complement or expand our business. Some of these potential transactions could be significant relative to the size of our business and operations. Acquisitions would involve a number of risks and present financial, managerial and operational challenges, including:

- diversion of management attention from running our existing business;
- possible material weaknesses in internal control over financial reporting;
- increased expenses including legal, administrative and compensation expenses related to newly hired employees;
- increased costs to integrate the networks, spectrum, technology, personnel, subscriber base and business practices of the company involved in the acquisition, strategic investment or merger with our business;
- potential exposure to material liabilities not discovered in the due diligence process or as a result of any litigation arising in connection with such transactions;
- potential adverse effects on our reported operating results due to possible write-downs of goodwill and other intangible assets associated with acquisitions;
- significant transaction expenses in connection with any such transaction, whether consummated or not;
- risks related to our ability to obtain any required regulatory approvals necessary to consummate any such transaction;
- acquisition financing may not be available on reasonable terms or at all and any such financing could significantly increase our outstanding indebtedness or otherwise affect our capital structure or credit ratings; and
- any acquired or merged business, technology, service or product may significantly under-perform relative to our expectations, and we may not achieve the benefits we expect from our transaction.

Certain of these risks may also apply to the recently consummated Clearwire Acquisition. For any or all of these reasons, our pursuit of an acquisition, investment or merger may cause our actual results to differ materially from those anticipated.

Our business could be negatively impacted by threats and other disruptions.

Major equipment failures, natural disasters, including severe weather, terrorist acts or breaches of network or information technology security that affect our wireline and wireless networks, including transport facilities, communications switches, routers, microwave links, cell sites or other equipment or third-party owned local and long-distance networks on which we rely, could have a material adverse effect on our operations.

These events could disrupt our operations, require significant resources, result in a loss of subscribers or impair our ability to attract new subscribers, which in turn could have a material adverse effect on our business, results of operations and financial condition.

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We may be required to recognize an impairment of our goodwill or indefinite-lived intangible assets, which could have a material adverse effect on our financial position and results of operations.

As a result of the SoftBank Merger and the remeasurement of assets acquired and liabilities assumed in connection with the transaction, Sprint recognized goodwill at its estimate of fair value of approximately $6.4 billion, which has been entirely allocated to the wireless segment. Since goodwill is reflected at its estimate of fair value, there is no excess fair value over book value as of the date of the close of the SoftBank Merger. Additionally, we recorded $41.7 billion of indefinite-lived intangible assets as of the close of the Merger. We are required to perform goodwill impairment tests for goodwill and indefinite-lived intangible assets at least annually and whenever events or circumstances indicate that the carrying value exceed fair value. If any circumstances were to occur, such as a decline in stock price, a reduction in consumer demand, or for any other reason we were to experience a significant decrease in sales or an increase in costs, which had a negative impact on our estimated cash flows associated with our Wireless segment, our analysis of goodwill and indefinite-lived intangible assets may conclude that the carrying value exceeds the estimated fair value of the assets. If this were to occur, we would be required to recognize an impairment which could adversely affect our financial position and results of operations.

Controlled Company Risks

As long as SoftBank controls us, other holders of our common stock will have limited ability to influence matters requiring stockholder approval and SoftBank’s interest may conflict with ours and other stockholders.

SoftBank beneficially owns approximately 80% of the outstanding common stock of Sprint. As a result, until such time as SoftBank and its controlled affiliates hold shares representing less than a majority of the votes entitled to be cast by the holders of our outstanding common stock at a stockholder meeting, SoftBank generally will have the ability to control the outcome of any matter submitted for the vote of our stockholders, except in certain circumstances set forth in our certificate of incorporation or bylaws.

In addition, pursuant to our bylaws, we are subject to certain requirements and limitations regarding the composition of our board of directors. Many of those requirements and limitations expire on or prior to July 10, 2016. Thereafter, for so long as SoftBank and its controlled affiliates hold shares of our common stock representing at least a majority of the votes entitled to be cast by the holders of our common stock at a stockholder meeting, SoftBank will be able to freely nominate and elect all the members of our board of directors, subject only to a requirement that a certain number of directors qualify as "Independent Directors," as such term is defined in the NYSE listing rules, and applicable laws. The directors elected by SoftBank will have the authority to make decisions affecting the capital structure of the Company, including the issuance of additional capital stock or options, the incurrence of additional indebtedness, the implementation of stock repurchase programs and the declaration of dividends.

The interests of SoftBank may not coincide with the interests of our other stockholders or with holders of our indebtedness. SoftBank’s ability, subject to the limitations in our certificate of incorporation and bylaws, to control all matters submitted to our stockholders for approval limits the ability of other stockholders to influence corporate matters and, as a result, we may take actions that our stockholders or holders of our indebtedness do not view as beneficial. As a result, the market price of our common stock or terms upon which we issue indebtedness could be adversely affected. In addition, the existence of a controlling stockholder of Sprint may have the effect of making it more difficult for a third-party to acquire, or discouraging a third-party from seeking to acquire, the Company. A third-party would be required to negotiate any such transaction with SoftBank, and the interests of SoftBank with respect to such transaction may be different from the interests of our other stockholders or with holders of our indebtedness. In addition, the performance of SoftBank and SoftBank’s ordinary shares or speculation about the possibility of future actions SoftBank may take in connection with us may adversely affect our share price or the trading price of our debt securities.

Subject to limitations in our certificate of incorporation that limit SoftBank’s ability to engage in certain competing businesses in the U.S. or take advantage of certain corporate opportunities, SoftBank is not restricted from competing with us or otherwise taking for itself or its other affiliates certain corporate opportunities that may be attractive to the Company.

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SoftBank’s ability to eventually control our board of directors may make it difficult for us to recruit independent directors.

For so long as SoftBank and its controlled affiliates hold shares of our common stock representing at least a majority of the votes entitled to be cast by the holders of our common stock at a stockholders’ meeting, SoftBank will be able to elect all of the members of our board of directors commencing three years following the effective time of the SoftBank Merger. Further, the interests of SoftBank and our other stockholders may diverge. Under these circumstances, persons who might otherwise accept an invitation to join our board of directors may decline.

Any inability to resolve favorably any disputes that may arise between the Company and SoftBank may adversely affect our business.

Disputes may arise between SoftBank and the Company in a number of areas, including:

- business combinations involving the Company;
- sales or dispositions by SoftBank of all or any portion of its ownership interest in us;
- the nature, quality and pricing of services SoftBank may agree to provide to the Company;
- arrangements with third parties that are exclusionary to SoftBank or the Company; and
- business opportunities that may be attractive to both SoftBank and the Company.

We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party.

The agreements between the Company and SoftBank may be amended upon agreement between the parties. While the Company is controlled by SoftBank, it may not have the leverage to negotiate amendments to these agreements if required on terms as favorable to us as those that we would negotiate with an unaffiliated third-party.

We are a "controlled company" within the meaning of the NYSE rules and, as a result, rely on exemptions from certain corporate governance requirements that provide protection to stockholders of companies that are not "controlled companies."

SoftBank owns more than 50% of the total voting power of our common shares and, accordingly, we have elected to be treated as a "controlled company" under the NYSE corporate governance standards. As a controlled company, we are exempt under the NYSE standards from the obligation to comply with certain NYSE corporate governance requirements, including the requirements:

- that a majority of our board of directors consists of independent directors;
- that we have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities;
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- that an annual performance evaluation of the nominating and governance committee and compensation committee be performed.

As a result of our use of the "controlled company" exemptions, holders of our common stock and debt securities, may not have the same protection afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

Regulatory authorities have imposed measures to protect national security and classified projects as well as other conditions that could have an adverse effect on Sprint.

As a precondition to Committee of Foreign Investment in the United States (CFIUS) approval of the SoftBank Merger, CFIUS required that SoftBank and Sprint enter into a National Security Agreement (NSA), under which SoftBank and Sprint have agreed to implement certain measures to protect national security, certain of which may materially and adversely affect our operating results due to increasing the cost of compliance with security measures, and limiting our control over certain U.S. facilities, contracts, personnel, vendor selection and operations. If we fail to comply with our obligations under the NSA, our ability to operate our business may be adversely affected.

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Item 1B. Unresolved Staff Comments
None.

Item 2. Properties
Our corporate headquarters are located in Overland Park, Kansas and consist of about 3,853,000 square feet. Our gross property, plant and equipment at December 31, 2013 totaled $18.0 billion, as follows:

	2013 (in billions)
Wireless	$15.5
Wireline	1.2
Corporate and other	1.3
Total	$18.0

Properties utilized by our Wireless segment generally consist of base transceiver stations, switching equipment and towers, as well as leased and owned general office facilities and retail stores. We lease space for base station towers and switch sites for our wireless network.
Properties utilized by our Wireline segment generally consist of land, buildings, switching equipment, digital fiber optic network and other transport facilities. We have been granted easements, rights-of-way and rights-of-occupancy by railroads and other private landowners for our fiber optic network.

Item 3. Legal Proceedings
In March 2009, a stockholder brought suit, Bennett v. Sprint Nextel Corp., in the U.S. District Court for the District of Kansas, alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The plaintiff seeks class action status for purchasers of Sprint Communications common stock from October 26, 2006 to February 27, 2008. On January 6, 2011, the Court denied the motion to dismiss. Subsequently, our motion to certify the January 6, 2011 order for an interlocutory appeal was denied, and discovery is continuing. The plaintiff moved to certify a class of bondholders as well as owners of common stock, and Sprint Communications has opposed that motion. Sprint Communications believes the complaint is without merit and intends to continue to defend the matter vigorously. We do not expect the resolution of this matter to have a material adverse effect on our financial position or results of operations.
In addition, five related stockholder derivative suits were filed against Sprint Communications and certain of its present and/or former officers and directors. The first, Murphy v. Forsee, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the Bennett case; the second, Randolph v. Forsee, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, Ross-Williams v. Bennett, et al., was filed in state court in Kansas on February 1, 2011; the fourth, Price v. Forsee, et al., was filed in state court in Kansas on April 15, 2011; and the fifth, Hartleib v. Forsee, et. al., was filed in federal court in Kansas on July 14, 2011. These cases are essentially stayed while the Bennett case is in the discovery phase. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.
Sprint Communications, Inc. has received a complaint purporting to assert claims on behalf of Sprint Communications, Inc. stockholders, alleging that members of the board of directors breached their fiduciary duties in agreeing to the SoftBank Merger, and otherwise challenging that transaction. There were initially five cases consolidated in state court in Johnson County, Kansas: UFCW Local 23 and Employers Pension Fund, et al. v. Bennett, et al., filed on October 25, 2012; Iron Workers Mid-South Pension Fund, et al. v. Hesse, et al., filed on October 25, 2012; City of Dearborn Heights Act 345 Police and Fire Retirement System v. Sprint Nextel Corp., et al., filed on October 29, 2012; Testani, et al. v. Sprint Nextel Corp., et al., filed on November 1, 2012; and Patten, et al. v. Sprint Nextel Corp., et al., filed on November 1, 2012.There are two cases filed in federal court in the District of Kansas, entitled Gerbino, et al. v. Sprint Nextel Corp., et al., filed on November 15, 2012, and Steinberg, et al. v.

Bennett, et al., filed on May 16, 2013 (and now consolidated with Gerbino); those cases are stayed pending the resolution of the state cases. Plaintiffs in the state cases have indicated that they do not intend to challenge the

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transaction as completed. The Company intends to defend these cases vigorously, and we do not expect the resolution of these matters to have a material effect on our financial position or results of operations.

Sprint Communications, Inc. is also a defendant in a complaint filed by stockholders of Clearwire Corporation, asserting claims for breach of fiduciary duty by Sprint Communications, and related claims and otherwise challenging the Clearwire Acquisition. There were initially five suits filed in Chancery Court in Delaware: Crest Financial Limited v. Sprint Nextel Corp., et al., filed on December 12, 2012; Katsman v. Prusch, et al., filed December 20, 2012; Feigeles, et al. v. Clearwire Corp., et al., filed December 28, 2012; Litwin, et al. v. Sprint Nextel Corp., et al., , filed January 2, 2013; and ACP Master, LTD, et al. v. Sprint Nextel Corp., et al., filed April 26, 2013. All suits except the ACP Master, LTD suit have been voluntarily dismissed by the plaintiffs. The plaintiffs in the ACP Master, LTD suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock. There were three cases filed in state court in King County, Washington, and those cases have been dismissed with prejudice. Sprint Communications, Inc. intends to defend the ACP Master, LTD cases vigorously, and, because these cases are still in the preliminary stages, we have not yet determined what effect the lawsuits will have, if any, on our financial position or results of operations.

Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against us. If our interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by us. While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with our beliefs, we expect that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on our financial position or results of operations. During the quarter ended December 31, 2013, there were no material developments in the status of these legal proceedings.

Item 4. Mine Safety Disclosures

None.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Share Data

Our common stock is traded under the stock symbol "S" on the New York Stock Exchange (NYSE). From January 1, 2012 through July 10, 2013, the stock that traded was the Series 1 common stock of Sprint Communications, Inc., which was formerly known as Sprint Nextel Corporation. On July 10, 2013, the SoftBank Merger closed, and after that date, the stock that trades on the NYSE is the common stock of Sprint Corporation. We currently have no non-voting common stock outstanding. The high, low and end of period common stock prices, as reported on the NYSE composite, were as follows:

	2013 Market Price			2012 Market Price		
	High	Low	End of Period	High	Low	End of Period
Common stock						
First quarter	$6.22	$5.52	$6.21	$3.03	$2.10	$2.85
Second quarter	7.50	6.12	7.02	3.33	2.30	3.26
Third quarter	7.26	5.61	6.22	5.76	3.15	5.52
Fourth quarter	11.47	5.92	10.75	6.04	4.79	5.67

Number of Stockholders of Record

As of February 17, 2014, we had approximately 30,000 common stock record holders.

Dividends

We did not declare any dividends on our common stock in 2013 or 2012. We are currently restricted from paying cash dividends by the terms of our revolving bank credit facility as described under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Issuer Purchases of Equity Securities

None.

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Item 6. Selected Financial Data

The Company's financial statement presentations distinguish between the predecessor period (Predecessor) relating to Sprint Communications (formerly known as Sprint Nextel Corporation) for periods prior to the SoftBank Merger and the successor period (Successor) relating to Sprint Corporation, formerly known as Starburst II, for periods subsequent to the incorporation of Starburst II on October 5, 2012. The Successor financial information includes the activity and accounts of Sprint Corporation as of and for the year ended December 31, 2013, which includes the activity and accounts of Sprint Communications, inclusive of the consolidation of Clearwire beginning on July 11, 2013. The accounts and operating activity for the Successor periods from October 5, 2012 (date of inception) to December 31, 2012 and from January 1, 2013 to July 10, 2013 consist solely of the activity of Starburst II prior to the close of the SoftBank Merger, which primarily related to merger expenses that were incurred in connection with the SoftBank Merger (recognized in selling, general and administrative expense) and interest income related to the $3.1 billion Bond issued to Starburst II by Sprint Nextel Corporation. The Predecessor financial information represents the historical basis of presentation for Sprint Communications for all periods prior to the SoftBank Merger. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussions on our trends and combined information relating to 2013.

The selected financial data presented below is not comparable for all periods presented primarily as a result of transactions such as the SoftBank Merger and acquisitions of Clearwire and certain assets of U.S. Cellular in 2013 and the acquisitions of Virgin Mobile USA, Inc. (Virgin Mobile) and third-party affiliates in 2009. All acquired companies' results of operations subsequent to their acquisition dates are included in our consolidated financial statements. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussions on our trends and combined information relating to 2013.

	Successor		Predecessor				
	Years Ended December 31,		191 Days ended July 10,	Years Ended December 31,			
	2013	2012	2013	2012	2011	2010	2009
	(in millions, except per share amounts)						
Results of Operations							
Net operating revenues	$16,891	$—	$18,602	$35,345	$33,679	$32,563	$32,260
Depreciation	2,026	—	3,098	6,240	4,455	5,074	5,827
Amortization	908	—	147	303	403	1,174	1,589
Operating (loss) income	(970)	(33)	(885)	(1,820)	108	(595)	(1,398)
Net loss	(1,860)	(27)	(1,158)	(4,326)	(2,890)	(3,465)	(2,436)
Loss per Share and Dividends[1]							
Basic and diluted loss per common share	$(0.54)		$(0.38)	$(1.44)	$(0.96)	$(1.16)	$(0.84)
Financial Position							
Total assets	$86,095	$3,115	N/A	$51,570	$49,383	$51,654	$55,424
Property, plant and equipment, net	16,164	—	N/A	13,607	14,009	15,214	18,280
Intangible assets, net	56,272	—	N/A	22,371	22,428	22,704	23,462
Total debt, capital lease and financing obligations (including equity unit notes)	33,011	—	N/A	24,341	20,274	20,191	21,061
Stockholders' equity	25,584	3,110	N/A	7,087	11,427	14,546	18,095
Cash Flow Data							
Net cash (used in) provided by operating activities	$(61)	$—	$2,671	$2,999	$3,691	$4,815	$4,891
Capital expenditures	3,847	—	3,140	4,261	3,130	1,935	1,603

(1) We did not declare any dividends on our common shares in any of the periods reported.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Business Strategies and Key Priorities

Sprint is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers, and resellers. Unless the context otherwise requires, references to "Sprint," "we," "us," "our" and the "Company" mean Sprint Corporation and its consolidated subsidiaries for all periods presented, inclusive of Successor and Predecessor periods, and references to "Sprint Communications" are to Sprint Communications, Inc. and its consolidated subsidiaries. The communications industry has and will continue to compete on the basis of the network quality, types of services and devices offered, and price. We are currently undergoing a significant multi-year program to upgrade our existing wireless communication network, including the decommissioning of our Nextel platform, which was successfully shut-down on June 30, 2013 (see "Overview - Network Modernization"). To support our business strategy and expected capital requirements, we entered into a $3.0 billion unsecured revolving bank credit facility and raised debt financing of approximately $9.0 billion in 2013. Additionally, we raised equity funding of approximately $5.0 billion in 2013, including the conversion of the $3.1 billion convertible bond (Bond) Sprint Communications, Inc. issued to Starburst II, Inc. (Starburst II), a wholly-owned subsidiary of SoftBank, in 2012 and an additional $1.9 billion equity contribution provided by SoftBank in connection with the SoftBank Merger defined below (see "Significant Transactions"). In 2012, we raised debt financing of approximately $8.9 billion in addition to entering into a $1.0 billion secured equipment credit facility, which was fully drawn as of December 31, 2013 (see "Liquidity and Capital Resources").

Wireless segment earnings represented over 90% of our total consolidated segment earnings as of December 31, 2013. Within the Wireless segment, postpaid wireless service revenue represents the most significant contributors to earnings and are driven not only by the number of postpaid subscribers to our services, but also the average revenue per user (ARPU).

The following table shows the trend of our end of period postpaid subscribers by platform for the past five years.

	As of December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Sprint platform	30,149	30,245	28,729	27,446	26,712
Nextel platform	—	1,632	4,285	5,666	7,255
Transactions	688	—	—	—	—
Total end of period postpaid subscribers	30,837	31,877	33,014	33,112	33,967

On June 30, 2013, we completed the successful shut-down of the Nextel platform. Despite the overall reduction in postpaid subscribers, primarily as a result of our action to shut-down the Nextel platform, we experienced growth in net operating revenue during the twelve month periods ended 2013 and 2012 as compared to 2011, primarily as a result of the continued adoption of smartphones and the premium data add-on charge. Prospectively, we expect to continue to focus on profitable growth through service provided on an enhanced wireless network while continuing to achieve our key priorities.

Our business strategy is to be responsive to changing customer mobility demands by being innovative and differentiated in the marketplace. Our future growth plans and strategy revolve around continuing to achieve the following three key priorities:

- Improve the customer experience;
- Strengthen our brands; and
- Generate operating cash flow.

To simplify and improve the customer experience, we continue to offer Ready Now℠, which educates our subscribers on how to use their mobile devices before they leave the store. For our business customers, we aim to increase their productivity by providing differentiated services that utilize the advantages of combining wireline IP networks with wireless technology. This differentiation enables us to retain and acquire both wireline, wireless and combined wireline-wireless subscribers on our networks. We have also continued to focus on further improving customer care. We implemented initiatives that are designed to improve call center processes and procedures, and standardized our performance measures through various metrics, including customer satisfaction ratings with respect to customer care, first call resolution, and calls per subscriber.

We continue to strengthen our brand through offering a broad selection of some of the most desired and iconic devices, while focusing on continued enhancements to our network and our upgrade to LTE. We distinguish the Sprint brand from other wireless providers through our offerings of unlimited talk, text and data - guaranteed for life and the recently launched Sprint Framily℠ plan that allows subscribers to forgo traditional subsidized devices in exchange for lower monthly service fees, early upgrade options, or both.

In addition to our brand and customer-oriented goals, we continue to focus on generating increased operating cash flow through competitive rate plans for postpaid and prepaid subscribers, multi-branded strategies, and effectively managing our cost structure. Certain strategic decisions, such as our network modernization plan and the availability of the iPhone®, which on average carries a higher equipment net subsidy, have resulted in a reduction in cash flows from operations. We also expect that the Framily plan will require a greater use of operating cash flows as compared to our traditional subsidized plans because the subscriber is financing the device over 24 months. However, we believe these actions will generate long-term benefits, including growth in valuable postpaid subscribers, a reduction in variable cost of service per unit and long-term accretion to cash flows from operations. See "Liquidity and Capital Resources" for more information.

Significant Transactions

On May 17, 2013, Sprint Communications closed its transaction with United States Cellular Corporation (U.S. Cellular) to acquire personal communications services (PCS) spectrum and subscribers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint Communications agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets, the majority of which is expected to be paid by the end of 2016. These costs are expected to be approximately $160 million on a net present value basis, but in no event will Sprint Communications' reimbursement obligation exceed $200 million on an undiscounted basis. The additional spectrum will be used to supplement Sprint's coverage in these areas.

On July 9, 2013, Sprint Communications completed the acquisition of the remaining equity interests in Clearwire Corporation and its consolidated subsidiary Clearwire Communications LLC (together "Clearwire") that it did not previously own (Clearwire Acquisition) in an all cash transaction for approximately $3.5 billion, net of cash acquired of $198 million, which provides us with control of 2.5 gigahertz (GHz) spectrum and tower resources for use in conjunction with our network modernization plan. The consideration paid was preliminarily allocated to assets acquired and liabilities assumed based on their estimated fair values at the time of the Clearwire Acquisition. The allocation of consideration paid was based on management's judgment after evaluating several factors, including a preliminary valuation assessment.

On July 10, 2013, SoftBank Corp. and certain of its wholly-owned subsidiaries (together, "SoftBank") completed the merger (SoftBank Merger) with Sprint Nextel Corporation (Sprint Nextel) contemplated by the Agreement and Plan of Merger, dated as of October 15, 2012 (as amended, the Merger Agreement) and the Bond Purchase Agreement, dated as of October 15, 2012 (as amended, the Bond Agreement). Pursuant to the Bond Agreement Sprint Communications, Inc. issued a convertible bond (Bond) to Starburst II with a principal amount of $3.1 billion, interest rate of 1%, and maturity date of October 15, 2019, which was converted into 590,476,190 shares of Sprint Communications, Inc. common stock at $5.25 per share immediately prior to the close of the SoftBank Merger. As a result of the SoftBank Merger, Starburst II became the parent company of Sprint Nextel. Immediately thereafter, Starburst II changed its name to Sprint Corporation and Sprint Nextel changed its name to Sprint Communications, Inc.

As a result of the completion of the SoftBank Merger and subsequent open market stock purchases, SoftBank owns approximately 80% of the outstanding voting common stock of Sprint Corporation. The SoftBank Merger consideration totaled approximately $22.2 billion, consisting primarily of cash consideration of $14.1 billion, net of cash acquired of $2.5 billion, and the estimated fair value of the 22% interest in Sprint Corporation issued to the then existing stockholders of Sprint Communications, Inc. The preliminary allocation of consideration paid was based on management's judgment after evaluating several factors, including a preliminary valuation assessment. The close of the transaction provided additional equity funding of $5.0 billion, consisting of $3.1 billion received by Sprint Communications, Inc. in October 2012 related to the Bond, which automatically converted to

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equity immediately prior to the closing of the SoftBank Merger, and $1.9 billion cash consideration at closing of the SoftBank Merger.
In connection with the close of the SoftBank Merger, Sprint Corporation became the successor registrant to Sprint Nextel under Rule 12g-3 of the Securities Exchange Act of 1934 (Exchange Act) and is the entity subject to the reporting requirements of the Exchange Act for filings with the Securities and Exchange Commission (SEC) subsequent to the close of the SoftBank Merger.
Network Modernization
We are in the process of modernizing our network to allow the consolidation and optimization of our 800 megahertz (MHz), 1.9 GHz and 2.5 GHz spectrum into our base stations. Prior to the closing of the Clearwire Acquisition, this initiative to modernize our network (Network Vision) encompassed all of our approximately 38,000 CDMA cell sites. The Network Vision project, which commenced in late 2011, includes the deployment of enhanced 3G and 4G LTE technology using our 1.9 GHz spectrum and the deployment of voice technology on our 800 MHz spectrum on the majority of those 38,000 sites. We expect to be substantially complete with Network Vision by the middle of 2014. In addition to Network Vision, we recently commenced deployment of 4G LTE technology on our 800 MHz spectrum and we will continue to expand 4G LTE on our 2.5 GHz spectrum, which we expect will further enhance the quality of our network. We are also modifying our existing backhaul architecture to enable increased capacity to our network at a lower cost by utilizing Ethernet as opposed to our existing time division multiplexing (TDM) technology. We expect to incur termination costs associated with our TDM contractual commitments with third-party vendors ranging between approximately $175 million to $225 million, the majority of which we expect to record through the first quarter of 2016.
Some of our subscribers are experiencing network service disruptions during the construction phase of Network Vision, which has contributed to the elevated postpaid churn rates in the third and fourth quarters of 2013 (refer to the churn results table within "Results of Operations"). Based on our experience in several large markets that have reached near completion of Network Vision construction, we have observed that churn elevates during the construction phase and then gradually improves to pre-construction levels over a period of several months following the achievement of substantial completion in the market. Our expectation is that our voice and 3G modernization effort, which we believe is a major driver of the recently elevated churn rates, will be substantially complete by mid-2014. Based on the observed performance trends for the several larger markets that are now complete, we expect churn results will continue to be negatively impacted by our Network Vision project, with gradual improvement beginning in the latter part of 2014.
As of the date of the Clearwire Acquisition, Clearwire had deployed WiMAX technology on approximately 17,000 cell towers and was in the process of deploying 4G LTE technology using the 2.5GHz spectrum on approximately 5,000 of these sites, which has now been completed. We plan to expand the 2.5 GHz 4G LTE deployment to approximately 5,000 more legacy Clearwire sites. In addition, we plan to cease using WiMAX technology by the end of 2015. We have also evaluated our consolidated cell tower portfolio, including the 17,000 cell towers obtained in the Clearwire Acquisition, and identified approximately 6,000 redundant sites that we expect to decommission and terminate the underlying leases. We expect lease exit costs recorded in future periods associated with these sites to range between approximately $50 million to $100 million on a net present value basis. The timing of lease exit charges will be dependent upon the date we cease utilizing these sites without future economic benefit.
We expect the majority of the efforts to roll out 4G LTE on our 800 MHz and 2.5 GHz spectrum bands to be completed by the end of 2015. In October 2013, we announced Sprint Spark℠ , which is an enhanced LTE network capability that analyzes our three spectrum bands of LTE and connects a device to the most optimal band available in the area. We expect the deployment period for this technology to correspond with the roll out of 4G LTE on our 800 MHz and 2.5 GHz spectrum bands. The cost to complete these initiatives to modernize our network will be significant. We expect capital expenditures of approximately $8 billion in 2014.
Ultimately, we expect these initiatives to bring financial benefit to the Company through migration to one common network, which is expected to reduce network maintenance and operating costs through capital efficiencies, reduced energy costs, lower roaming expenses, backhaul savings, and reduction in total cell sites as well as improvements to the quality of service to subscribers. Our expectation of financial savings is affected by multiple variables, including

our expectation of the timeliness of modernization across our existing network footprint, which

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is managed by Sprint but is partly dependent upon three primary original equipment manufacturers (OEMs), each of which has responsibility for a geographical territory across the U.S.

The Network Vision project and the related shut-down of the Nextel platform has resulted in incremental charges, beginning in 2012, including, but not limited to, an increase in depreciation associated with existing assets related to both the Nextel and Sprint platforms due to changes in our estimates of the remaining useful lives of long-lived assets, changes in the expected timing and amount of asset retirement obligations, and lease exit and other contract termination costs. The Nextel platform was successfully shut-down on June 30, 2013, and the remaining infrastructure is expected to be completely decommissioned by the end of 2016.

Installment Billing Programs

During 2013, wireless carriers introduced new plans that allow subscribers to forgo traditional device subsidies in exchange for lower monthly service fees, early upgrade options, or both. In the later part of 2013, the Big 4 carriers each launched early upgrade programs that include the device installment payment model. The objective of these plans is to attract subscribers away from device subsidies in exchange for greater upgrade flexibility and data usage options. On January 10, 2014, Sprint replaced its recently launched Sprint One Up℠ Plan, a device installment payment plan, with the Framily plan and introduced Sprint Easy Pay for installment billing.

Under the Framily plan and Sprint Easy Pay installment billing program, we expect to recognize most of the future expected installment payments for the device on an upfront basis. This accounting treatment allows Sprint to better align the equipment revenue with the cost of the device, and minimizes the amount of subsidy recognized in our operating results. Additionally, Sprint is offering lower monthly service fees without a contract as an incentive to attract subscribers to the Framily plan. With the roll-out of the Sprint Framily plan and the Sprint Easy Pay installment billing program, we do expect declines in Sprint platform postpaid ARPU to continue throughout 2014, but also expect reduced subsidy expenses to more than offset these declines. Therefore, the combination of these two items is an expected net positive contribution to earnings before interest, taxes, depreciation and amortization (EBITDA). During 2013, the impact of installment billing plans on our consolidated financial statements was not material. For 2014, we expect the Framily plan and Sprint Easy Pay to be accretive to earnings as compared to our traditional plans, with the magnitude of the impact being dependent upon the rate of subscriber adoption. We also expect that the Framily plan and Sprint Easy Pay will require a greater use of operating cash flows in the earlier part of the installment contract, if the subscriber pays less upfront than traditional plans, because the subscriber is financing the device over 24 months.

RESULTS OF OPERATIONS

As discussed above, both the Clearwire Acquisition and the SoftBank Merger were completed in July 2013. As a result of these transactions, the assets and liabilities of Sprint Communications and Clearwire were preliminarily adjusted to estimated fair value on the respective closing dates. The Company's financial statement presentations distinguish between the predecessor period (Predecessor) relating to Sprint Communications for periods prior to the SoftBank Merger and the successor period (Successor) relating to Sprint Corporation, formerly known as Starburst II, for periods subsequent to the incorporation of Starburst II on October 5, 2012. The Successor financial information includes the activity and accounts of Sprint Corporation as of and for the year ended December 31, 2013, which includes the activity and accounts of Sprint Communications, inclusive of the consolidation of Clearwire Corporation, prospectively for the 174-day period following completion of the SoftBank Merger (Post-merger period), beginning on July 11, 2013. The accounts and operating activity for the Successor periods from October 5, 2012 (date of inception) to December 31, 2012 and from January 1, 2013 to July 10, 2013 consist solely of the activity of Starburst II prior to the close of the SoftBank Merger. The Predecessor financial information represents the historical basis of presentation for Sprint Communications for all periods prior to the SoftBank Merger.

As a result of the SoftBank Merger, and in order to present Management's Discussion and Analysis in a way that offers investors a more meaningful period to period comparison, in addition to presenting and discussing our historical results of operations as reported in our consolidated financial statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP), we have combined the 2013 Predecessor financial information with the 2013 Successor financial information, on an unaudited combined basis. The unaudited combined data consists of Predecessor information for the 191-day period ended July 10, 2013 and Successor information for the year ended December 31, 2013. The combined information for the year ended

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December 31, 2013 does not comply with U.S. GAAP and is not intended to represent what our consolidated results of operations would have been if the Successor had actually been formed on January 1, 2013 and acquired the Predecessor as of such date, nor have we made any attempt to either include or exclude expenses or income that would have resulted had the SoftBank Merger actually occurred on January 1, 2013.

The following discussion covers results for the Successor year ended December 31, 2013 and the Predecessor years ended December 31, 2012 and 2011. Results for the unaudited combined year ended December 31, 2013 versus the Predecessor year ended December 31, 2012 are also discussed, to the extent necessary, to provide an analysis of results on comparable periods although the basis of presentation may not be comparable due to the application of the acquisition method of accounting. Additionally, in certain sections we discuss the activity of the Predecessor 191-day period ended July 10, 2013 to the extent it provides useful information for the activity during that period. The results for the Successor 87-day period ended December 31, 2012 were considered insignificant and are not comparable to the Successor year ended December 31, 2013 as the Successor entity was established on October 5, 2012 for the sole purpose of completing the SoftBank Merger. Results for this 87-day period primarily reflected merger expenses that were incurred (recognized in selling, general and administrative expense) and interest income related to the $3.1 billion Bond issued in connection with the SoftBank Merger. We have provided information regarding certain of the elements of the acquisition method of accounting affecting the 2013 Successor period results to enable further comparability.

Acquisition Method of Accounting Effects to the Successor Period Ending December 31, 2013

The allocation of the consideration transferred to assets acquired and liabilities assumed were based on preliminary estimated fair values as of the date of the SoftBank Merger, as described further in the Notes to the Consolidated Financial Statements. As a result, the following are reflected in our results of operations for the Successor period ended December 31, 2013 as compared to the Predecessor periods ended December 31, 2012 and 2011:

- Reduced postpaid wireless revenue and wireless cost of service of approximately $59 million each as a result of preliminary purchase accounting adjustments to deferred revenue and deferred costs, respectively;
- Reduced prepaid wireless revenue of approximately $96 million as a result of preliminary purchase accounting adjustments to eliminate deferred revenue;
- Increased rent expense of $55 million, which is included in cost of service, primarily attributable to the write-off of deferred rents associated with our operating leases, offset by the amortization of our net unfavorable leases recorded in purchase accounting;
- Increased cost of products sold of approximately $31 million as a result of preliminary purchase price account adjustments to accessory inventory;
- Reduced depreciation expense of approximately $400 million as a result of preliminary purchase accounting adjustments reflecting a net decrease to property, plant and equipment;
- Incremental amortization expense of approximately $772 million, which is primarily attributable to the recognition of customer relationships of approximately $6.9 billion; and
- The purchase accounting adjustment to unrecognized net periodic pension and other post-retirement benefits resulting in a decrease in pension expense of approximately $46 million which was primarily reflected in selling, general and administrative expense.

Predecessor 191-Day Period Ended July 10, 2013

Significant changes in the underlying trends affecting the Company's consolidated results of operations and net loss for the 191 days ended July 10, 2013 were as follows:

- We recorded a gain on previously-held Clearwire equity interests of approximately $2.9 billion for the difference between the estimated fair value of the equity interests owned prior to the acquisition ($5.00 per share offer price less an estimated control premium of approximately $0.60) and the carrying value of approximately $325 million for those previously-held equity interests; and

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- Increased income tax expense was primarily attributable to taxable temporary differences as a result of the $2.9 billion gain on the previously-held equity interests in Clearwire, which was principally attributable to the increase in the fair value of Federal Communications Commission (FCC) licenses held by Clearwire and from amortization of FCC licenses. FCC licenses are amortized over 15 years for income tax purposes but, because these licenses have an indefinite life, they are not amortized for financial statement reporting purposes.

Consolidated Results of Operations

The following table provides the combined consolidated results of operations for the year ended December 31, 2013, the Successor year ended December 31, 2013 and 87 days ended December 31, 2012, the Predecessor 191-day period ended July 10, 2013, and the Predecessor years ended December 31, 2012 and 2011. The Predecessor information represents the historical basis of presentation for Sprint Communications for all periods prior to the SoftBank Merger. The Successor period includes the operating activity of Sprint Corporation for the years ended December 31, 2013 and 2012 as well as Sprint Communications, inclusive of Clearwire, prospectively from the date of the SoftBank Merger on July 10, 2013 through December 31, 2013.

	Combined Year Ended December 31, 2013	Successor Year Ended December 31, 2013	87 Days Ended December 31, 2012	Predecessor 191 Days Ended July 10, 2013	Years Ended December 31, 2012	2011
	(in millions)					
Wireless segment earnings	$4,948	$2,178	$—	$2,770	$4,147	$4,267
Wireline segment earnings	494	222	—	272	649	800
Corporate, other and eliminations	(33)	(34)	(33)	1	7	5
Consolidated segment earnings (loss)	5,409	2,366	(33)	3,043	4,803	5,072
Depreciation	(5,124)	(2,026)	—	(3,098)	(6,240)	(4,455)
Amortization	(1,055)	(908)	—	(147)	(303)	(403)
Other, net	(1,085)	(402)	—	(683)	(80)	(106)
Operating (loss) income	(1,855)	(970)	(33)	(885)	(1,820)	108
Interest expense	(2,053)	(918)	—	(1,135)	(1,428)	(1,011)
Equity in losses of unconsolidated investments, net	(482)	—	—	(482)	(1,114)	(1,730)
Gain on previously-held equity interests	2,926	—	—	2,926	—	—
Other income (expense), net	92	73	10	19	190	(3)
Income tax expense	(1,646)	(45)	(4)	(1,601)	(154)	(254)
Net loss	$(3,018)	$(1,860)	$(27)	$(1,158)	$(4,326)	$(2,890)

Depreciation Expense

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Depreciation expense decreased $4.2 billion, or 68%, for the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 primarily due to comparing results for the shortened Post-merger period to a period consisting of a full calendar year. In addition, the decrease in depreciation expense was driven by accelerated depreciation expense recognized in 2012 from our network modernization described below, with no such accelerated depreciation in the Successor year ended December 31, 2013 and asset revaluations as a result of the SoftBank Merger. These decreases were partially offset by increased depreciation expense on assets acquired as a result of the Clearwire Acquisition and asset additions primarily related to network initiatives.

Depreciation expense increased $1.8 billion, or 40%, in 2012 compared to 2011. Our network modernization resulted in incremental charges during the period of implementation including, but not limited to, an increase in depreciation associated with existing assets related to both the Nextel and Sprint platforms, due to changes in our estimates of the remaining useful lives of long-lived assets, and the expected timing and amount of asset retirement obligations. In

2012, the incremental effect of accelerated depreciation due to our network

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initiatives was approximately $2.1 billion, of which the majority related to the shut-down of the Nextel platform. The increase related to accelerated depreciation was slightly offset by a net decrease in depreciation as a result of assets that became fully depreciated or were retired.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

In addition to the explanations above, the decrease in depreciation expense for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 was partially offset by increased depreciation expense primarily due to network asset additions in the Predecessor 191-day period. The incremental effect of accelerated depreciation expense totaled approximately $800 million for the 191 days ended July 10, 2013, which was primarily related to the shut-down of the Nextel platform on June 30, 2013.

Amortization Expense

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Amortization expense increased $605 million, or 200%, for the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012, primarily due to the recognition of definite-lived intangible assets related to customer relationships of approximately $6.9 billion as a result of the SoftBank Merger. Customer relationship intangible assets are amortized using the sum-of-the-months'-digits method, which results in higher amortization rates in early periods that will decline over time.

Amortization expense declined $100 million, or 25%, in 2012 compared to 2011 primarily due to the absence of amortization for customer relationship intangible assets related to the 2006 acquisition of Nextel Partners, Inc. and the 2009 acquisition of Virgin Mobile USA, Inc., which became fully amortized in the second quarter 2011.

Other, net

The following table provides additional information of items included in "Other, net" for the combined consolidated results of operations for the year ended December 31, 2013, the Successor year ended December 31, 2013, the Predecessor 191-day period ended July 10, 2013, and the Predecessor years ended December 31, 2012 and 2011.

	Combined Year Ended December 31, 2013	Successor Year Ended December 31, 2013	Predecessor 191 Days Ended July 10, 2013	Years Ended December 31, 2012	Years Ended December 31, 2011
	(in millions)				
Severance, exit costs and asset impairments	$(961)	$(309)	$(652)	$(298)	$(106)
Spectrum hosting contract termination	—	—	—	236	—
Gains from asset dispositions and exchanges	—	—	—	29	—
Other	(124)	(93)	(31)	(47)	—
Total	$(1,085)	$(402)	$(683)	$(80)	$(106)

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

"Other, net" represented an expense of $402 million for the Successor year ended December 31, 2013 and an expense of $80 million and $106 million in the Predecessor years ended December 31, 2012 and 2011, respectively. Severance, exit costs, and asset impairments of $309 million for the Successor year ended December 31, 2013 included $219 million of severance primarily associated with reductions in force and $56 million of lease exit costs primarily associated with the decommissioning of the Nextel platform. In addition, we recognized $53 million of payments that will continue to be made under our backhaul access contracts for which we will no longer be receiving any economic benefit, and of which $19 million was recognized as "Cost of services and products." Severance, exit costs, and asset impairments in 2012 included lease exit costs of $196 million associated with taking certain Nextel platform sites off-air in the second and third quarter 2012 and asset impairments, consisting of $18 million of assets associated with a decision to utilize fiber backhaul rather than microwave backhaul and $66 million of capitalized assets that we no longer intend to deploy as a result of the termination of the spectrum hosting arrangement with LightSquared. In addition, we had asset impairments of $18 million in 2012 primarily related to assets that are no longer necessary for management's strategic plans and were primarily related to network asset equipment. Severance, exit costs, and asset impairments in 2011 included $28 million of severance

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and exit costs associated with actions taken in the fourth quarter 2011 and $78 million of asset impairments primarily related to assets that are no longer necessary for management's strategic plans and were primarily related to network asset equipment.

Gains from asset dispositions and exchanges in 2012 were primarily related to spectrum exchange transactions. The spectrum hosting contract termination in 2012 was due to the recognition of $236 million of the total $310 million paid by LightSquared in 2011 as operating income in "Other, net" due to the termination of our spectrum hosting arrangement with LiqhtSquared.

The $93 million reflected in "Other" for the Successor year ended December 31, 2013 included $100 million of business combination fees paid to unrelated parties in connection with the transactions with SoftBank and Clearwire and are classified within selling, general and administrative expense in our consolidated statement of comprehensive income (loss). This is partially offset by $7 million of reimbursements related to 2012 hurricane-related charges recorded as a contra expense in cost of services in our consolidated statement of comprehensive income (loss). The amount reflected in "Other" for 2012 consisted of $45 million of hurricane-related costs and $19 million of expenses associated with business combinations partially offset by $17 million in benefits resulting from favorable developments relating to access cost disputes with certain exchange carriers.

Predecessor Period of 191 Days Ended July 10, 2013

Exit costs in the Predecessor 191-day period ended July 10, 2013 included lease exit costs of $478 million primarily associated with taking certain Nextel platform sites off-air by June 30, 2013 and $151 million related to payments that will continue to be made under our backhaul access contracts for which we will no longer be receiving any economic benefit. Of the $151 million of future payments, $35 million was recognized as "Cost of services and products" and $116 million (solely attributable to Wireless) was recognized in "Severance, exit costs and asset impairments." We also recognized $58 million of severance related to reductions in force in the Predecessor 191-day period ended July 10, 2013. "Other" for the Predecessor 191-day period ended July 10, 2013 included $53 million of business combination fees paid to unrelated parties as described above, partially offset by a favorable ruling by the Texas Supreme Court in connection with the taxation of E911 services, which resulted in a non-cash benefit of $22 million.

Interest Expense

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Interest expense decreased $510 million, or 36%, for the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012. The decrease was primarily due to comparing a shortened Post-merger period to a Predecessor period representing a full calendar year. This decrease was partially offset by interest expense increases as a result of the debt assumed in the Clearwire Acquisition and new debt issuances in September and December 2013. See "Liquidity and Capital Resources" for more information on the Company's financing activities. Taking into account the Clearwire and SoftBank transactions, the Company's consolidated debt balance was approximately $33.0 billion as of December 31, 2013. The effective interest rate, which includes capitalized interest, for the Combined year ended December 31, 2013 was 7.7% based on a weighted average long-term debt balance of $27.5 billion. The effective interest rate, which includes capitalized interest, on the weighted average long-term debt balances of $22.0 billion and $19.1 billion was 7.8% and 7.4% for the Predecessor years ended 2012 and 2011, respectively. See "Liquidity and Capital Resources" for more information on the Company's financing activities.

Interest expense increased $417 million, or 41%, in 2012 as compared to 2011, primarily due to increased weighted average long-term debt balances as a result of 2011 and 2012 debt issuances, partially offset by 2011 and 2012 debt repayments, in addition to increased effective interest rates combined with reductions in the amount of interest capitalized primarily related to spectrum licenses.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

In addition to the explanations above, the interest expense increase for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 was partially due to reductions in the amount of interest capitalized related to spectrum licenses.

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Equity in Losses of Unconsolidated Investments, net

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

As a result of the Clearwire Acquisition on July 9, 2013 and the resulting consolidation of Clearwire results of operations into the accounts of the Company, the Successor period results of operations do not reflect any equity in losses of unconsolidated investments. The equity in losses of unconsolidated investments, net in the Predecessor periods primarily consists of our proportionate share of losses from our equity method investment in Clearwire. Sprint's equity in losses from Clearwire for the years ended December 31, 2012 and 2011 included $204 million and $135 million, respectively, in pre-tax impairment reflecting Sprint's reduction in the carrying value of its investment in Clearwire to an estimated fair value. Equity in losses from Clearwire in 2012 and 2011 also included charges of approximately $41 million and $361 million, respectively, which were associated with Clearwire's write-off of certain network and other assets that no longer met its strategic plans. In addition, the year ended December 31, 2011 also included a dilution loss of approximately $27 million primarily associated with the reduction of our non-controlling economic interest related to Clearwire's equity issuance.

Other income (expense), net

The following table provides additional information on items included in "Other income (expense), net" for the combined consolidated results of operations for the year ended December 31, 2013, the Successor year ended December 31, 2013 and 87 days ended December 31, 2012, the Predecessor 191-day period ended July 10, 2013, and the Predecessor years ended December 31, 2012 and 2011.

	Combined Year Ended December 31, 2013	Successor Year Ended December 31, 2013	87 Days Ended December 31, 2012	Predecessor 191 Days Ended July 10, 2013	Years Ended December 31, 2012	Years Ended December 31, 2011
	(in millions)					
Interest income	$69	$36	$10	$33	$65	$36
Gain (loss) on early retirement of debt	44	56	—	(12)	81	(33)
Other, net	(21)	(19)	—	(2)	44	(6)
Total	$92	$73	$10	$19	$190	$(3)

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

"Other income (expense), net" represented income of $73 million and $10 million for the Successor year ended December 31, 2013 and 87 days ended December 31, 2012, as compared to income of $190 million and expense of $3 million in the Predecessor years ended December 31, 2012 and 2011, respectively. Other, net in the Successor year ended December 31, 2013 primarily consisted of $159 million of income related to the recognition of the remaining unaccreted convertible bond discount. In addition, the Successor year ended December 31, 2013 included a $175 million loss related to the embedded derivative associated with the convertible bond. Gain on early retirement of debt in the Successor year ended December 31, 2013 was a result of early retirement of the Clearwire Communications LLC and Clearwire Finance, Inc. 12% secured notes due 2015 and 12% secured notes due 2017 and in the Predecessor year ended December 31, 2012 was attributable to the early redemption of Nextel Communications, Inc. debt. Loss on early retirement of debt in 2011 was due to the redemption of all outstanding Sprint Capital Corporation 8.375% senior notes.

Income Tax Expense

The Successor period income tax expense for the year ended December 31, 2013 of $45 million represented a consolidated effective tax rate of approximately 3%. The Predecessor period income tax expense for the years ended December 31, 2012 and 2011 of $154 million and $254 million, respectively, represented a consolidated effective tax rate of approximately 4% and 10%, respectively. The income tax expense for the Successor and Predecessor periods presented was primarily attributable to taxable temporary differences from amortization of FCC licenses and included a $708 million, $1.8 billion, and $1.2 billion net increase to the valuation allowance for federal and state deferred tax assets primarily related to net operating loss carryforwards generated during the respective periods. The expense for the 191 days ended July 10, 2013 of approximately $1.6 billion was primarily attributable to the recognition of tax expense on the $2.9 billion gain on previously-held equity interests in Clearwire in addition to the Predecessor period items noted above. The income tax expense for 2012 also included a

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$69 million tax benefit resulting from the resolution of various federal and state income tax uncertainties. The income tax expense for 2011 also includes a $59 million expense resulting from changes in corporate state income tax laws. We do not expect to record significant tax benefits on future net operating losses until circumstances justify the recognition of such benefits. Additional information related to items impacting the effective tax rates can be found in the Notes to the Consolidated Financial Statements.

Segment Earnings - Wireless

Wireless segment earnings are a function of wireless service revenue, the sale of wireless devices and accessories, costs to acquire subscribers, network and interconnection costs to serve those subscribers and other Wireless segment operating expenses. The costs to acquire our subscribers include the net cost at which we sell our devices, referred to as equipment net subsidies, as well as the marketing and sales costs incurred to attract those subscribers. Network costs primarily represent switch and cell site costs and interconnection costs, which generally consist of per-minute usage fees and roaming fees paid to other carriers. The remaining costs associated with operating the Wireless segment include the costs to operate our customer care organization and administrative support. Wireless service revenue, costs to acquire subscribers, and variable network and interconnection costs fluctuate with the changes in our subscriber base and their related usage, but some cost elements do not fluctuate in the short term with these changes. As shown by the table above under "Results of Operations," Wireless segment earnings represented approximately 90% of our total consolidated segment earnings (loss) for the Successor 2013 period. The wireless industry is subject to competition to retain and acquire subscribers of wireless services. Most markets in which we operate have high rates of penetration for wireless services. Wireless carriers accordingly must attract a greater proportion of new subscribers from competitors rather than from first-time subscribers. Within the Wireless segment, postpaid wireless services represent the most significant contributors to earnings, and are driven by the number of postpaid subscribers to our services, as well as ARPU. Wireless segment earnings have declined over the last several years, primarily resulting from subscriber losses associated with our Nextel platform offerings as well as increased equipment net subsidy from smartphones. Most recently, our decision to shut-down the Nextel platform accelerated the loss of subscribers on that platform; however, we focused our efforts on recapturing these subscribers on our Sprint platform, resulting in the recapture of approximately 2.6 million Nextel platform postpaid subscribers beginning with the first quarter 2011 through June 30, 2013, which was when the Nextel platform was shut-down. In addition, we have taken initiatives to strengthen the Sprint brand, continue to increase market awareness of the improvements that have been achieved in the customer experience, and provide a competitive portfolio of devices and service plans for subscriber selection.

In late 2013, we introduced new service plans, which include device payment through installment billing, that allow subscribers to forgo traditional device subsidies in exchange for lower monthly service fees, early upgrade options, or both. If the adoption rates of these plans increase as we expect throughout our base of subscribers, we expect to see a decline in ARPU in 2014 due to lower service pricing associated with our Framily plan as compared to our traditional plans. However, we expect reduced subsidy expense associated with our Framily plan to more than offset these declines. We also expect the number of tablet and connected device subscribers as a percentage of the total postpaid subscriber base to increase in 2014, which would have a dilutive effect on ARPU.

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The following table provides an overview of the results of operations of our Wireless segment for the combined consolidated results of operations for the year ended December 31, 2013, the Successor year ended December 31, 2013, the Predecessor 191-day period ended July 10, 2013, and the Predecessor years ended December 31, 2012 and 2011.

Wireless Segment Earnings	Combined Year Ended December 31, 2013	Successor Year Ended December 31, 2013	Predecessor 191 Days Ended July 10, 2013	Years Ended December 31, 2012	2011
	(in millions)				
Sprint platform	$23,225	$10,983	$12,242	$22,264	$20,052
Nextel platform	217	—	217	1,455	2,582
Total postpaid	23,442	10,983	12,459	23,719	22,634
Sprint platform	4,867	2,265	2,602	4,380	3,325
Nextel platform	50	—	50	525	1,170
Total prepaid	4,917	2,265	2,652	4,905	4,495
Other(1)	359	331	28	—	—
Retail service revenue	28,718	13,579	15,139	28,624	27,129
Wholesale, affiliate and other	545	266	279	483	261
Total service revenue	29,263	13,845	15,418	29,107	27,390
Cost of services (exclusive of depreciation and amortization)	(9,045)	(4,342)	(4,703)	(9,017)	(8,907)
Service gross margin	20,218	9,503	10,715	20,090	18,483
Service gross margin percentage	69%	69%	69%	69%	67%
Equipment revenue	3,504	1,797	1,707	3,248	2,911
Cost of products	(9,475)	(4,603)	(4,872)	(9,905)	(8,057)
Equipment net subsidy	(5,971)	(2,806)	(3,165)	(6,657)	(5,146)
Equipment net subsidy percentage	(170)%	(156)%	(185)%	(205)%	(177)%
Selling, general and administrative expense	(9,299)	(4,519)	(4,780)	(9,286)	(9,070)
Wireless segment earnings	$4,948	$2,178	$2,770	$4,147	$4,267

(1) Represents service revenue related to the acquisition of certain assets of U.S. Cellular in the 2nd quarter 2013 and the acquisition of Clearwire in the 3rd quarter 2013.

Service Revenue

Our Wireless segment generates service revenue from the sale of wireless services and the sale of wholesale and other services. Service revenue consists of fixed monthly recurring charges, variable usage charges and miscellaneous fees such as activation fees, directory assistance, roaming, equipment protection, late payment and early termination charges, and certain regulatory related fees, net of service credits.

The ability of our Wireless segment to generate service revenue is primarily a function of:

- revenue generated from each subscriber, which in turn is a function of the types and amount of services utilized by each subscriber and the rates charged for those services; and
- the number of subscribers that we serve, which in turn is a function of our ability to retain existing subscribers and acquire new subscribers.

Retail comprises those subscribers to whom Sprint directly provides wireless services, whether those services are provided on a postpaid or a prepaid basis. Wholesale and affiliates are those subscribers who are served through MVNO and affiliate relationships and other arrangements through which wireless services are sold by Sprint to other companies that resell those services to subscribers.

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Retail service revenue decreased $15.0 billion, or 53%, for the year ended December 31, 2013, as compared to the Predecessor year ended December 31, 2012, primarily due to comparing operating results for the shortened Post-merger period to the 2012 Predecessor period consisting of a full calendar year. In addition, there was a decline of 1.6% in average retail subscribers in the 2013 Successor period as compared to the 2012 Predecessor period primarily resulting from the shut-down of the Nextel platform on June 30, 2013. This decrease was partially offset by a higher average revenue per retail subscriber in 2013 as compared to 2012 primarily due to

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the $10 premium data add-on charge for smartphones, combined with increased postpaid and prepaid revenues resulting from acquisitions in 2013.

Retail service revenue increased $1.5 billion, or 6%, in 2012 as compared to 2011, which primarily reflects an increase in Sprint platform postpaid service revenue related to the $10 premium data add-on charge required for smartphones and continued popularity of unlimited and bundled plans, combined with increases in roaming and other fees. The increase was also driven by continued subscriber growth from our Assurance Wireless brand as well as a growing number of subscribers on our remaining prepaid brands who are choosing higher rate plans as a result of the increased availability of smartphones.

Wholesale, affiliate and other revenues decreased $217 million, or 45%, for the year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012, primarily due to comparing operating results for the shortened Post-merger period to the 2012 Predecessor period consisting of a full calendar year. The decrease was partially offset by an increase in revenues resulting from acquisitions in 2013, combined with growth in our MVNO's reselling postpaid services and connected devices. Approximately 43% of our wholesale and affiliate subscribers represent connected devices. These devices generate revenue from usage which varies depending on the solution being utilized. Average revenue per connected device is generally significantly lower than revenue from other wholesale and affiliate subscribers; however, the cost to service these subscribers is also lower resulting in a higher gross margin as a percent of revenue.

Wholesale, affiliate and other revenues increased $222 million, or 85%, for 2012 as compared to 2011 primarily as a result of growth in our MVNO's reselling prepaid services. Specifically, growth in subscribers on the Lifeline program offered through our MVNO's reselling prepaid services, which is similar to our Assurance Wireless offering, contributed to revenue growth. Approximately 33% of our wholesale and affiliate subscribers in 2012 represented a growing number of connected devices.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

In addition to the explanations above, retail service revenue for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 increased $94 million primarily from the consolidation of Clearwire and subscriber growth mainly in our Virgin prepaid brand as prepaid subscribers are choosing higher rate plans as a result of the increased availability of smartphones. In addition, Sprint platform postpaid service revenue increased due to our $10 premium data add-on charge required for all smartphones combined with a reduction in the number of subscribers eligible for certain plan discounts due to policy changes and fewer customer care credits.

In addition to the explanations above, wholesale, affiliate and other revenue for the combined year ended December 31, 2013 as compared to the same Predecessor year ended December 31, 2012 increased due to slight growth in the reselling of prepaid services by MVNO's and affiliates.

Average Monthly Service Revenue per Subscriber and Subscriber Trends

The table below summarizes average number of retail subscribers for the combined consolidated results of operations for the year ended December 31, 2013, the Successor year ended December 31, 2013, the Predecessor 191-day period ended July 10, 2013, and the Predecessor years ended December 31, 2012 and 2011. Additional information about the number of subscribers, net additions (losses) to subscribers, and average rates of monthly postpaid and prepaid subscriber churn for each quarter since the first quarter 2011 may be found in the tables on the following pages.

	Combined Year Ended December 31, 2013	Successor Year Ended December 31, 2013	Predecessor 191 Days Ended July 10, 2013	Years Ended December 31, 2012	Years Ended December 31, 2011
	(subscribers in thousands)				
Average postpaid subscribers	31,124	30,957	31,296	32,462	32,935
Average prepaid subscribers	15,901	16,040	15,793	15,291	13,672
Average retail subscribers	47,025	46,997	47,089	47,753	46,607

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The table below summarizes ARPU for the combined consolidated results of operations for the year ended December 31, 2013, the Successor year ended December 31, 2013, the Predecessor 191-day period ended July 10, 2013, and the Predecessor years ended December 31, 2012 and 2011. Additional information about ARPU for each quarter since the first quarter 2011 may be found in the tables on the following pages.

	Combined Year Ended December 31, 2013	Successor Year Ended December 31, 2013	Predecessor 191 Days Ended July 10, 2013	Years Ended December 31, 2012	2011
ARPU[(1)]:					
Postpaid	$63.29	$63.46	$63.10	$60.84	$57.27
Prepaid	$26.62	$26.64	$26.57	$26.72	$27.40
Average retail	$50.89	$50.89	$50.85	$49.92	$48.51

(1) ARPU is calculated by dividing service revenue by the sum of the monthly average number of subscribers in the applicable service category. Changes in average monthly service revenue reflect subscribers for either the postpaid or prepaid service category who change rate plans, the level of voice and data usage, the amount of service credits which are offered to subscribers, plus the net effect of average monthly revenue generated by new subscribers and deactivating subscribers. Combined ARPU for 2013 aggregates service revenue from the Predecessor191-day period ended July 10, 2013 and the Successor year ended December 31, 2013 divided by the sum of the monthly average subscribers during the year ended December 31, 2013.

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Postpaid ARPU for the year ended December 31, 2013 as compared to the Predecessor period in 2012 increased primarily due to higher monthly recurring revenues, including the $10 premium data add-on charges for all smartphones and device protection fees, combined with other fee increases and a reduction in the number of subscribers eligible for certain plan discounts due to policy changes and fewer customer care credits. The increase in postpaid ARPU was partially offset by lower variable usage-based revenues due to the popularity of unlimited plan options, combined with a lower revenue per subscriber carried by subscribers acquired in the Clearwire and U.S. Cellular acquisitions and growth in sales of tablets, which also carry a lower revenue per subscriber. We expect Sprint platform postpaid ARPU to decline during 2014 as a result of the launch of the Framily plan which was launched in January 2014 and Sprint Easy Pay, however, we also expect reduced equipment net subsidy expense to offset these declines. Prepaid ARPU for the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 declined primarily as a result of the impact of purchase price accounting to eliminate deferred revenues, partially offset by the impact of a higher revenue per subscriber carried by subscribers acquired in the Clearwire Acquisition.

Postpaid ARPU for 2012 increased as compared to 2011 primarily due to increased revenues from the $10 premium data add-on charges for all smartphones and increases in roaming and other fees. Prepaid ARPU declined for 2012 compared to 2011 primarily as a result of net additions of our Assurance Wireless brand whose subscribers carry a lower ARPU, partially offset by an increase in ARPU for the remaining prepaid brands as subscribers are choosing higher priced plans to take advantage of international offerings and the increased availability of smartphones. Average retail ARPU increased for 2012 compared to 2011 primarily as a result of the increased postpaid ARPU which was partially offset by an increased weighting of average prepaid subscribers to average retail subscribers which carry a lower ARPU.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

In addition to the explanations above, prepaid ARPU for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 declined primarily as a result of a decrease in ARPU for our Assurance Wireless brand due to a lower number of active Assurance subscribers as a percentage of the average number of Assurance subscribers, primarily as a result of the recertification process. This decrease was partially offset by an increase in ARPU for primarily the Virgin prepaid brands as subscribers are choosing higher priced plans due to the increased availability of smartphones. ARPU as it relates to our Assurance Wireless brand was also impacted as a result of the recertification process because those subscribers no longer had a revenue impact after December 31, 2012, but continued to be included in the prepaid subscriber based until deactivation in the second quarter 2013.

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The following table shows (a) net additions (losses) of wireless subscribers, (b) our total subscribers, and (c) end of period connected device subscribers as of the end of each quarterly period beginning with the first quarter 2011.

	March 31, 2011	June 30, 2011	Sept 30, 2011	Dec 31, 2011	March 31, 2012	June 30, 2012	Sept 30, 2012	Dec 31, 2012	March 31, 2013	June 30, 2013	Sept 30, 2013	Dec 31, 2013
Net additions (losses) (in thousands)[1]												
Sprint platform:												
Postpaid	253	226	265	539	263	442	410	401	12	194	(360)	58
Prepaid	1,406	1,149	839	899	870	451	459	525	568	(486)	84	322
Wholesale and affiliates[2]	389	519	835	954	785	388	14	(243)	(224)	(228)	181	302
Total Sprint platform	2,048	1,894	1,939	2,392	1,918	1,281	883	683	356	(520)	(95)	682
Nextel platform:												
Postpaid	(367)	(327)	(309)	(378)	(455)	(688)	(866)	(644)	(572)	(1,060)	—	—
Prepaid	(560)	(475)	(354)	(392)	(381)	(310)	(440)	(376)	(199)	(255)	—	—
Total Nextel platform	(927)	(802)	(663)	(770)	(836)	(998)	(1,306)	(1,020)	(771)	(1,315)	—	—
Transactions[2]:												
Postpaid	—	—	—	—	—	—	—	—	—	(179)	(175)	(127)
Prepaid	—	—	—	—	—	—	—	—	—	(20)	(56)	(103)
Wholesale	—	—	—	—	—	—	—	—	—	—	13	25
Total Transactions	—	—	—	—	—	—	—	—	—	(199)	(218)	(205)
Total retail postpaid	(114)	(101)	(44)	161	(192)	(246)	(456)	(243)	(560)	(1,045)	(535)	(69)
Total retail prepaid	846	674	485	507	489	141	19	149	369	(761)	28	219
Total wholesale and affiliate	389	519	835	954	785	388	14	(243)	(224)	(228)	194	327
Total Wireless	1,121	1,092	1,276	1,622	1,082	283	(423)	(337)	(415)	(2,034)	(313)	477
End of period subscribers (in thousands)[1]												
Sprint platform:												
Postpaid[3]	27,699	27,925	28,190	28,729	28,992	29,434	29,844	30,245	30,257	30,451	30,091	30,149
Prepaid	9,941	11,090	11,929	12,828	13,698	14,149	14,608	15,133	15,701	15,215	15,299	15,621
Wholesale and affiliates[2][3][4]	4,910	5,429	6,264	7,218	8,003	8,391	8,405	8,162	7,938	7,710	7,862	8,164
Total Sprint platform	42,550	44,444	46,383	48,775	50,693	51,974	52,857	53,540	53,896	53,376	53,252	53,934
Nextel platform:												
Postpaid	5,299	4,972	4,663	4,285	3,830	3,142	2,276	1,632	1,060	—	—	—
Prepaid	3,182	2,707	2,353	1,961	1,580	1,270	830	454	255	—	—	—
Total Nextel platform	8,481	7,679	7,016	6,246	5,410	4,412	3,106	2,086	1,315	—	—	—
Transactions[2]:												
Postpaid	—	—	—	—	—	—	—	—	—	173	815	688

Prepaid	—	—	—	—	—	—	—	—	—	39	704	601
Wholesale	—	—	—	—	—	—	—	—	—	—	106	131
Total Transactions	—	—	—	—	—	—	—	—	—	212	1,625	1,420
Total retail postpaid(3)	32,998	32,897	32,853	33,014	32,822	32,576	32,120	31,877	31,317	30,624	30,906	30,837
Total retail prepaid	13,123	13,797	14,282	14,789	15,278	15,419	15,438	15,587	15,956	15,254	16,003	16,222
Total wholesale and affiliates(3)(4)	4,910	5,429	6,264	7,218	8,003	8,391	8,405	8,162	7,938	7,710	7,968	8,295
Total Wireless	51,031	52,123	53,399	55,021	56,103	56,386	55,963	55,626	55,211	53,588	54,877	55,354

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Supplemental data - connected devices												
End of period subscribers (in thousands)[3]												
Retail postpaid	715	727	762	783	791	809	817	813	824	798	834	922
Wholesale and affiliates	1,883	1,920	1,956	2,077	2,217	2,361	2,542	2,670	2,803	3,057	3,298	3,578
Total	2,598	2,647	2,718	2,860	3,008	3,170	3,359	3,483	3,627	3,855	4,132	4,500

(1) A subscriber is defined as an individual line of service associated with each device activated by a customer. Subscribers that transfer from their original service category classification to another platform, or another service line within the same platform, are reflected as a net loss to the original service category and a net addition to their new service category. There is no net effect for such subscriber changes to the total wireless net additions (losses) or end of period subscribers.

(2) We acquired approximately 352,000 postpaid subscribers and 59,000 prepaid subscribers through the acquisition of assets from U.S. Cellular when the transaction closed on May 17, 2013. We acquired approximately 788,000 postpaid subscribers (excluding 29,000 Sprint wholesale subscribers transferred to Transactions postpaid subscribers that were originally recognized as part of our Clearwire MVNO arrangement), 721,000 prepaid subscribers, and 93,000 wholesale subscribers as a result of the Clearwire Acquisition which closed on July 9, 2013.

(3) Subscribers through some of our MVNO relationships have inactivity either in voice usage or primarily as a result of the nature of the device, where activity only occurs when data retrieval is initiated by the end-user and may occur infrequently. Although we continue to provide these subscribers access to our network through our MVNO relationships, approximately 1,218,000 subscribers at December 31, 2013 through these MVNO relationships have been inactive for at least six months, with no associated revenue during the six-month period ended December 31, 2013.

(4) End of period connected devices are included in total retail postpaid or wholesale and affiliates end of period subscriber totals for all periods presented.

The following table shows (a) our average rates of monthly postpaid and prepaid subscriber churn and (b) our recapture of Nextel platform subscribers that deactivated but remained as subscribers on the Sprint platform as of the end of each quarterly period beginning with the first quarter 2011.

	March 31, 2011	June 30, 2011	Sept 30, 2011	Dec 31, 2011	March 31, 2012	June 30, 2012	Sept 30, 2012	Dec 31, 2012	March 31, 2013	June 30, 2013	Sept 30, 2013	Dec 31, 2013
Monthly subscriber churn rate[1]												
Sprint platform:												
Postpaid	1.78 %	1.72 %	1.91 %	1.99 %	2.00 %	1.69 %	1.88 %	1.98 %	1.84 %	1.83 %	1.99 %	2.07 %
Prepaid	3.41 %	3.25 %	3.43 %	3.07 %	2.92 %	3.16 %	2.93 %	3.02 %	3.05 %	5.22 %	3.57 %	3.01 %
Nextel platform:												
Postpaid	1.95 %	1.92 %	1.91 %	1.89 %	2.09 %	2.56 %	4.38 %	5.27 %	7.57 %	33.90 %	—	—
Prepaid	6.94 %	7.29 %	7.02 %	7.18 %	8.73 %	7.18 %	9.39 %	9.79 %	12.46 %	32.13 %	—	—
Transactions[2]:												
Postpaid	—	—	—	—	—	—	—	—	—	26.64 %	6.38 %	5.48 %
Prepaid	—	—	—	—	—	—	—	—	—	16.72 %	8.84 %	8.18 %
Total retail postpaid	1.81 %	1.75 %	1.91 %	1.98 %	2.01 %	1.79 %	2.09 %	2.18 %	2.09 %	2.63 %	2.09 %	2.15 %
	4.36 %	4.14 %	4.07 %	3.68 %	3.61 %	3.53 %	3.37 %	3.30 %	3.26 %	5.51 %	3.78 %	3.22 %

Total retail prepaid												
Nextel platform subscriber recaptures												
Rate[3]:												
Postpaid	27%	27%	27%	39%	46%	60%	59%	51%	46%	34%	—	—
Prepaid	27%	21%	21%	25%	23%	32%	34%	50%	34%	39%	—	—
Subscribers[4]:												
Postpaid	124	113	103	168	228	431	516	333	264	364	—	—
Prepaid	260	171	141	152	137	143	152	188	67	101	—	—

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(1) Churn is calculated by dividing net subscriber deactivations for the quarter by the sum of the average number of subscribers for each month in the quarter. For postpaid accounts comprising multiple subscribers, such as family plans and enterprise accounts, net deactivations are defined as deactivations in excess of subscriber activations in a particular account within 30 days. Postpaid and Prepaid churn consist of both voluntary churn, where the subscriber makes his or her own determination to cease being a subscriber, and involuntary churn, where the subscriber's service is terminated due to a lack of payment or other reasons.

(2) Subscriber churn related to the acquisition of assets from U.S. Cellular and the Clearwire Acquisition.

(3) Represents the recapture rate defined as the Nextel platform postpaid or prepaid subscribers, as applicable, that switched from the Nextel platform but activated service on the Sprint platform during each period over the total Nextel platform subscriber deactivations in the period for postpaid and prepaid, respectively.

(4) Represents the Nextel platform postpaid and prepaid subscribers, as applicable, that switched from the Nextel platform during each period but remained with the Company as subscribers on the Sprint platform. Subscribers that deactivated service on the Nextel platform and activated service on the Sprint platform are included in the Sprint platform net additions for the applicable period.

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The following table shows our postpaid and prepaid ARPU as of the end of each quarterly period beginning with the first quarter 2011.

	Predecessor											Successor	Combined (2)	Suc
	March 31, 2011	June 30, 2011	Sept 30, 2011	Dec 31, 2011	March 31, 2012	June 30, 2012	Sept 30, 2012	Dec 31, 2012	March 31, 2013	June 30, 2013	10 Days Ended July 10, 2013	Sept 30, 2013	Sept 30, 2013	Dec 201
ARPU														
Sprint platform:														
Postpaid	$58.52	$59.07	$60.20	$61.22	$62.55	$63.38	$63.21	$63.04	$63.67	$64.20	$64.71	$64.24	$64.28	$64
Prepaid	$25.76	$25.53	$25.35	$25.16	$25.64	$25.49	$26.19	$26.30	$25.95	$26.96	$26.99	$25.14	$25.33	$26
Nextel platform:														
Postpaid	$44.35	$43.68	$42.78	$41.91	$40.94	$40.25	$38.65	$37.27	$35.43	$36.66	$—	$—	$—	$—
Prepaid	$35.46	$34.63	$35.62	$34.91	$35.68	$37.20	$34.73	$35.59	$31.75	$34.48	$—	$—	$—	$—
Transactions[1]:														
Postpaid	$—	$—	$—	$—	$—	$—	$—	$—	$—	$59.87	$35.75	$37.44	$40.00	$36
Prepaid	$—	$—	$—	$—	$—	$—	$—	$—	$—	$19.17	$12.78	$40.62	$43.20	$40
Total retail postpaid	$56.17	$56.67	$57.65	$58.59	$59.88	$60.88	$61.18	$61.47	$62.47	$63.59	$64.55	$63.48	$63.69	$63
Total retail prepaid	$28.39	$27.53	$27.19	$26.62	$26.82	$26.59	$26.77	$26.69	$26.08	$27.02	$26.96	$25.86	$26.04	$27

(1) Subscriber ARPU related to the acquisition of assets from U.S. Cellular and the Clearwire acquisition.

(2) Combined ARPU for the quarterly period ending September 30, 2013 aggregates service revenue from the Predecessor 10-day period ended July 10, 2013 and the Successor three-month period ended September 30, 2013 divided by the sum of the monthly average subscribers during the three months ended September 30, 2013.

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Subscriber Results

Sprint Platform Subscribers

Retail Postpaid — During 2013, net postpaid subscriber losses were 96,000 as compared to net additions of 1.5 million and 1.3 million in 2012 and 2011, respectively. The change to net losses in 2013 from net additions in 2012 and 2011 was primarily related to the absence of Nextel platform recaptures in the second half of 2013 as the shutdown of that network was completed on June 30, 2013. Nextel platform and U. S. Cellular recaptures in 2013 totaled 734,000. In addition, we had approximately 564,000 net additions of tablet devices and approximately 190,000 net additions of connected devices in 2013, which were all offset by net losses of approximately 1,584,000 on the Sprint platform. Substantially all Sprint platform net additions in 2012 and approximately 508,000 in 2011 represented postpaid subscribers that deactivated service on the Nextel platform. In addition, churn increased when comparing 2013 to 2012 and postpaid gross subscriber additions declined when comparing 2013 to 2012. We expect churn results will continue to be negatively impacted by Network Vision, with gradual improvement beginning in the latter part of 2014. In addition, some wireless carriers have recently undertaken various aggressive marketing efforts to incent subscribers to switch carriers. As a result, these efforts could have a negative impact on churn which would have a negative effect on EBITDA.

Retail Prepaid — During 2013, we added 488,000 net prepaid subscribers as compared to adding 2.3 million and 4.3 million in 2012 and 2011, respectively. Our decline in net additions in 2013 compared to 2012 was primarily due to Assurance Wireless and new recertification regulations as discussed in more detail below combined with continued competitive pressures in 2012 resulting in promotional offerings that drove increased net additions. Also contributing to the decline in net additions in 2013 was the absence of Nextel platform recaptures in the second half of 2013 as the shutdown of that network was completed. Approximately 168,000 prepaid subscriber additions deactivated service on the Nextel platform in 2013 as compared to 620,000 in 2012 and 724,000 in 2011. Our decrease in net prepaid additions in 2012 as compared to 2011 was primarily due to a decline in gross subscriber additions on Assurance Wireless due to lower response rates and a lower subscriber application approval rate resulting from complexities associated with new federal regulations as well as an increase in churn primarily related to FCC mandated efforts to remove duplicate Lifeline accounts between carriers.

The federal Lifeline program under which Assurance Wireless operates requires applicants to meet certain eligibility requirements and existing subscribers must recertify as to those requirements annually. New regulations in 2012, which impact all Lifeline carriers, impose stricter rules on the subscriber eligibility requirements and recertification. These new regulations also required a one-time recertification of the entire June 1, 2012 subscriber base by December 31, 2012. Accounts of subscribers who failed to respond by December 31, 2012 were suspended and made subject to our prepaid churn rules as described below (or 365 days in a limited number of states). However, subscribers could re-apply prior to being deactivated and also had the ability to receive by-the-minute service at their own expense. We deactivated the accounts of approximately 1.2 million subscribers in the second quarter 2013 primarily related to the recertification process.

Prepaid subscribers are generally deactivated between 60 and 150 days from the later of the date of initial activation or replenishment; however, prior to account deactivation, targeted retention programs can be offered to qualifying subscribers to maintain ongoing service by providing up to an additional 150 days to make a replenishment. Subscribers targeted through these retention offers are not included in the calculation of churn until their retention offer expires without a replenishment to their account. As a result, end of period prepaid subscribers include subscribers engaged in these retention programs, however, the number of these subscribers as a percentage of our total prepaid subscriber base has remained consistent over the past four quarters. Assurance Wireless and Clearwire subscribers are excluded from these targeted retention programs.

Wholesale and Affiliate Subscribers — Wholesale and affiliate subscribers represent customers that are served on our networks through companies that resell our wireless services to their subscribers, customers residing in affiliate territories and connected devices that utilize our network. Of the 8.2 million Sprint Platform subscribers included in wholesale and affiliates, approximately 44% represent connected devices. Wholesale and affiliate subscriber net additions were 31,000 during 2013 as compared to 944,000 and 2.7 million in 2012 and 2011, respectively, inclusive of net additions of connected devices totaling 908,000, 593,000, and 217,000 during 2013, 2012 and 2011, respectively. Our decline in net additions in 2013 as compared to 2012, as well as 2012 compared to 2011, was primarily due to targeted efforts in 2013 and 2012 to reduce inactive subscriber accounts by our wholesale MVNO customers as well as net losses attributable to new Lifeline program recertification regulations as discussed

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in Retail Prepaid above, partially offset by increases in connected devices and growth in wholesale postpaid resellers.

Transactions Subscribers

As part of the acquisition of assets from U.S. Cellular, which closed in May 2013, we acquired 352,000 postpaid subscribers and 59,000 prepaid subscribers. As part of the Clearwire Acquisition in July 2013, we acquired 788,000 postpaid subscribers (exclusive of Sprint platform wholesale subscribers acquired through our MVNO relationship with Clearwire that were transferred to postpaid subscribers within Transactions), 721,000 prepaid subscribers, and 93,000 wholesale subscribers. For the remainder of the year ended December 31, 2013, we had net postpaid subscriber losses of 481,000, net prepaid subscriber losses of 179,000 and net wholesale subscriber additions of 38,000, of which approximately 106,000 and 8,000 postpaid and prepaid subscribers, respectively, were recaptured on the Sprint platform.

Cost of Services

Cost of services consists primarily of:

- costs to operate and maintain our networks, including direct switch and cell site costs, such as rent, utilities, maintenance, labor costs associated with network employees, and spectrum frequency leasing costs;
- fixed and variable interconnection costs, the fixed component of which consists of monthly flat-rate fees for facilities leased from local exchange carriers based on the number of cell sites and switches in service in a particular period and the related equipment installed at each site, and the variable component of which generally consists of per-minute use fees charged by wireline providers for calls terminating on their networks, which fluctuate in relation to the level and duration of those terminating calls;
- long distance costs paid to the Wireline segment;
- costs to service and repair devices;
- regulatory fees;
- roaming fees paid to other carriers; and
- fixed and variable costs relating to payments to third parties for the use of their proprietary data applications, such as messaging, music, TV, and navigation services by our subscribers.

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Cost of services decreased $4.7 billion, or 52%, for the Successor year ended December 31, 2013, as compared to the Predecessor year ended December 31, 2012, primarily due to comparing operating results for the shortened Post-merger period to the 2012 Predecessor period consisting of a full calendar year. In addition, we had reduced network costs such as rent and utilities in 2013 as a result of the shut-down of the Nextel platform in June 2013 combined with a decrease in service and repair costs due to a decline in the volume and frequency of repairs. These decreases were partially offset by additional network costs due to the modernization of our network as well as the net impact of the Clearwire Acquisition.

Cost of services increased $110 million, or 1%, in 2012 compared to 2011, reflecting an increase in rent expense primarily due to the cell site leases renegotiated in 2011 in connection with our network modernization and the shutdown of the Nextel platform and higher backhaul costs primarily due to increased capacity. These increases were partially offset by a decrease in payments to third-party vendors for use of their proprietary data applications and premium services as a result of more favorable rates provided by contract renegotiations and a decline in long distance network costs as a result of lower market rates. In addition, service and repair costs decreased due to a decline in the volume and frequency of repairs, which was slightly offset by an increase in the cost per unit of devices utilized for service and repair due to the growth in smartphone popularity.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

In addition to the explanations above, cost of services for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 decreased as a result of a reduction in payments to third-party vendors for use of their proprietary data applications and premium services as a result of more favorable contract rates. These decreases were partially offset by higher backhaul costs primarily due to increased capacity.

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Equipment Net Subsidy

We recognize equipment revenue and corresponding costs of devices when title and risk of loss passes to the indirect dealer or end-use subscriber, assuming all other revenue recognition criteria are met. Our marketing plans assume that devices typically will be sold at prices below cost, which is consistent with industry practice. We offer certain incentives to retain and acquire subscribers such as new devices at discounted prices. The cost of these incentives is recorded as a reduction to equipment revenue upon activation of the device with a service contract.

Cost of products includes equipment costs (primarily devices and accessories), order fulfillment related expenses, and write-downs of device and accessory inventory related to shrinkage and obsolescence. Additionally, cost of products is reduced by any rebates that are earned from the equipment manufacturers. Cost of products in excess of the net revenue generated from equipment sales is referred to in the industry as equipment net subsidy. We also make incentive payments to certain indirect dealers, who purchase the iPhone® directly from Apple. Those payments are recognized as selling, general and administrative expenses when the device is activated with a Sprint service plan because Sprint does not recognize any equipment revenue or cost of products for those transactions. (See Selling, General and Administrative Expense below.)

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Equipment revenue decreased $1.5 billion, or 45%, and cost of products declined $5.3 billion, or 54%, for the Successor year ended December 31, 2013, as compared to the Predecessor year ended December 31, 2012, primarily due to comparing operating results for the shortened Post-merger period to the 2012 Predecessor period consisting of a full calendar year. In addition, the decrease in both equipment revenue and cost of products was due to fewer postpaid handsets sold, which was partially offset by higher average sales prices per postpaid and prepaid device sold as well as increases in prepaid handsets sold.

Equipment revenue increased $337 million, or 12%, in 2012 compared to 2011 and cost of products increased $1.8 billion, or 23%, in 2012 compared to 2011. The increase in both equipment revenue and cost of products is primarily due to a higher average sales price and cost per device sold for postpaid and prepaid devices, particularly driven by the introduction of the more expensive iPhone to postpaid and prepaid subscribers, partially offset by a decline in the number of postpaid and prepaid devices sold.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

Equipment revenues for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 increased primarily due to higher average sales prices per postpaid and prepaid device sold as well as increases in prepaid volumes, partially offset by fewer postpaid handsets sold. Cost of products decreased primarily from fewer postpaid handsets sold although at a higher average cost per handset, partially offset by an increase in average cost per prepaid handset due to increased sales of more expensive 4G and LTE devices combined with fewer sales of low cost Assurance wireless handsets.

Selling, General and Administrative Expense

Sales and marketing costs primarily consist of subscriber acquisition costs, including commissions paid to our indirect dealers, third-party distributors and retail sales force for new device activations and upgrades, residual payments to our indirect dealers, payments made to OEMs for direct source equipment, payroll and facilities costs associated with our retail sales force, marketing employees, advertising, media programs and sponsorships, including costs related to branding. General and administrative expenses primarily consist of costs for billing, customer care and information technology operations, bad debt expense and administrative support activities, including collections, legal, finance, human resources, corporate communications, strategic planning, and technology and product development.

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Sales and marketing expense was $2.6 billion for the Successor year ended December 31, 2013 representing a decrease of $2.6 billion, or 50%, as compared to the Predecessor year ended December 31, 2012 primarily due to comparing operating results for the shortened Post-merger period to the 2012 Predecessor period consisting of a full calendar year. In addition, we had a reduction in commissions expense resulting from our decrease in postpaid subscriber gross additions, which was was partially offset by increased costs resulting from the Clearwire Acquisition and higher media spend.

Sales and marketing expense was $5.3 billion, an increase of $165 million, or 3%, in 2012 from 2011 primarily due to increased reimbursements for point-of-sale discounts for iPhones of $238 million, which are directly sourced by distributors from Apple and accounted for as sales expense, partially offset by a reduction in commissions expense resulting from a shift in channel mix combined with our decrease in subscriber gross additions. Point-of-sale discounts are included in the determination of equipment net subsidy when we purchase and resell devices.

General and administrative costs were $1.9 billion for the Successor year ended December 31, 2013 representing a decrease of $2.1 billion, or 53%, as compared to the Predecessor year ended December 31, 2012, primarily due to comparing operating results for the shortened Post-merger period to the 2012 Predecessor period consisting of a full calendar year, partially offset by additional IT and overhead costs as a result of the Clearwire Acquisition. Bad debt expense was $260 million, a decrease of $281 million in the Successor period 2013 from the Predecessor year ended December 31, 2012, and $541 million, a decrease of $11 million in 2012 from 2011. The decrease is primarily related to comparing a shortened Post-merger period to the 2012 Predecessor period consisting of a full calendar year. We reassess our allowance for doubtful accounts quarterly. Changes in our allowance for doubtful accounts are largely attributable to the analysis of historical collection experience and changes, if any, in credit policies established for subscribers. On the Sprint platform, the mix of prime postpaid subscribers to total postpaid subscribers was 82%, 81% and 80% as of December 31, 2013, 2012 and 2011, respectively.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

In addition to the increases in the explanations above, the increase in sales and marketing expense for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 was also due to increased commissions expense resulting from growth in prepaid sales.

In addition to the explanations above, general and administrative costs decreased for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 also as a result of lower customer care costs primarily due to lower call volumes and fewer calls per subscriber. In addition, the decrease in bad debt expense reflects a decrease in accounts written off, lower average write-off per account, and a decline in involuntary churn.

Segment Earnings - Wireline

We provide a broad suite of wireline voice and data communications services to other communications companies and targeted business and consumer subscribers. In addition, we provide voice, data and IP communication services to our Wireless segment and IP and other services to cable MSOs. Cable MSOs resell our local and long distance services and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-use subscribers. We are one of the nation's largest providers of long distance services and operate all-digital global long distance and Tier 1 IP networks. Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, managed network services, Voice over Internet Protocol (VoIP), Session Initiated Protocol (SIP), and traditional voice services. Our IP services can also be combined with wireless services. Such services include our Sprint Mobile Integration service, which enables a wireless handset to operate as part of a subscriber's wireline voice network, and our DataLink^{SM} service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data network, making it easy for businesses to adapt their network to changing business requirements. In addition to providing services to our business customers, the wireline network is carrying increasing amounts of voice and data traffic for our Wireless segment as a result of growing usage by our wireless subscribers.

We continue to assess the portfolio of services provided by our Wireline business and are focusing our efforts on IP-based data services and de-emphasizing stand-alone voice services and non-IP-based data services. We also provide wholesale voice local and long distance services to cable MSOs, which they offer as part of their bundled service offerings, as well as traditional voice and data services for their enterprise use. However, the digital voice services we provide to our cable MSOs have become large enough in scale that they have decided to in-source these services and, as a result, we expect this business to continue to decline over time. We also continue to provide voice services to residential consumers. Our Wireline segment markets and sells its services primarily through direct sales representatives.

Wireline segment earnings are primarily a function of wireline service revenue, network and interconnection costs, and other Wireline segment operating expenses. Network costs primarily represent special access costs and interconnection costs, which generally consist of domestic and international per-minute usage fees

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paid to other carriers. The remaining costs associated with operating the Wireline segment include the costs to operate our customer care and billing organizations in addition to administrative support. Wireline service revenue and variable network and interconnection costs fluctuate with the changes in our customer base and their related usage, but some cost elements do not fluctuate in the short term with the changes in our customer usage. Our wireline services provided to our Wireless segment are generally accounted for based on market rates, which we believe approximate fair value. The Company generally re-establishes these rates at the beginning of each fiscal year. Over the past several years, there has been an industry wide trend of lower rates due to increased competition from other wireline and wireless communications companies as well as cable and Internet service providers. Declines in wireline segment earnings related to intercompany pricing rates do not affect our consolidated results of operations as our Wireless segment benefits from an equivalent reduction in cost of service.

The following table provides an overview of the results of operations of our Wireline segment for the combined consolidated results of operations for the year ended December 31, 2013, the Successor year ended December 31, 2013, the Predecessor 191-day period ended July 10, 2013, and the Predecessor years ended December 31, 2012 and 2011.

Wireline Segment Earnings	Combined Year Ended December 31, 2013	Successor Year Ended December 31, 2013	Predecessor 191 Days Ended July 10, 2013	Years Ended December 31, 2012	Years Ended December 31, 2011
	(in millions)				
Voice	$1,490	$719	$771	$1,627	$1,915
Data	326	138	188	398	460
Internet	1,660	747	913	1,781	1,878
Other	61	32	29	75	73
Total net service revenue	3,537	1,636	1,901	3,881	4,326
Cost of services and products	(2,637)	(1,235)	(1,402)	(2,781)	(3,005)
Service gross margin	900	401	499	1,100	1,321
Service gross margin percentage	25%	25%	26%	28%	31%
Selling, general and administrative expense	(406)	(179)	(227)	(451)	(521)
Wireline segment earnings	$494	$222	$272	$649	$800

Wireline Revenue

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Voice Revenues

Voice revenues decreased $908 million, or 56%, for the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 primarily due to comparing operating results for the shortened Post-merger period to a period consisting of a full calendar year. Voice revenues decreased $288 million, or 15%, in 2012 as compared to 2011 primarily driven by overall price declines of which $174 million was related to the decline in prices for the sale of services to our Wireless segment as well as volume declines due to customer churn. Voice revenues generated from the sale of services to our Wireless segment represented 33% of total voice revenues for the year ended December 31, 2013 as compared to 32% and 34% for the years ended 2012 and 2011, respectively.

Data Revenues

Data revenues reflect sales of data services, primarily Private Line, and managed network services bundled with non-IP-based data access. Data revenues decreased $260 million, or 65%, for the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 primarily due to comparing operating results for the shortened Post-merger period to a period consisting of a full calendar year. Data revenues decreased $62 million, or 13%, in 2012 as compared to 2011 as a result of customer churn driven by the focus to no longer provide frame relay and asynchronous transfer mode (ATM) services, which was phased out early in 2013. Data revenues generated from the provision of services to the Wireless segment represented 50% of total data revenue for the year ended December 31, 2013 as compared to 44% and 35% for the years ended 2012 and 2011, respectively.

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Internet Revenue

IP-based data services revenue reflects sales of Internet services, including MPLS, VoIP, SIP, and managed services bundled with IP-based data access. IP-based data services decreased $1.0 billion, or 58%, for the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 primarily due to comparing operating results for the shortened Post-merger period to a period consisting of a full calendar year. IP-based data services decreased $97 million, or 5%, in 2012 as compared to 2011 primarily due to the in-sourcing of digital voice products by certain cable MSOs. Sale of services to our Wireless segment represented 11% of total Internet revenues for both the years ended December 31, 2013 and 2012 and 8% for the year ended December 31, 2011.

Other Revenues

Other revenues, which primarily consist of sales of customer premises equipment, decreased $43 million, or 57% in the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012, primarily due to comparing operating results for the shortened Post-merger period to a period consisting of a full calendar year. Other revenues increased $2 million, or 3%, in 2012 as compared to 2011.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

Voice Revenues

In addition to the explanations above, voice revenues for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 decreased as a result of overall volume and price declines, of which $53 million was related to the decline in prices for the sale of services to our Wireless segment, as well as volume declines due to customer churn.

Data Revenues

In addition to the explanations above, data revenues for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 decreased as a result of customer churn driven by the focus to no longer provide frame relay and ATM services.

Internet Revenue

In addition to the explanations above, Internet revenues for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 decreased primarily due to fewer IP customers.

Costs of Services and Products

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Costs of services and products include access costs paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by our domestic subscribers, costs to operate and maintain our networks, and costs of equipment. Costs of services and products decreased $1.5 billion, or 56%, in the Successor year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 primarily due to comparing operating results for the shortened Post-merger period to a period consisting of a full calendar year. Costs of services and products decreased $224 million, or 7%, in 2012 from 2011 primarily due to lower access expense as a result of savings initiatives and declining voice, data and Internet volumes. Service gross margin percentage decreased from 31% in 2011 to 28% in 2012 and to 25% in 2013, primarily as a result of a decrease in net service revenue partially offset by a decrease in cost of services and products.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

In addition to the explanations above, costs of services and products for the combined year ended December 31, 2013 as compared to the Predecessor year ended December 31, 2012 decreased primarily due to lower access expense as a result of declining voice, data and Internet volumes.

Selling, General and Administrative Expense

Successor Year Ended December 31, 2013 and Predecessor Years Ended December 31, 2012 and 2011

Selling, general and administrative expense decreased $272 million, or 60%, in the Successor year ended December 31, 2013, as compared to the Predecessor year ended December 31, 2012, primarily due to comparing operating results for the shortened Post-merger period to a period consisting of a full calendar year. Selling, general and administrative expense decreased $70 million, or 13%, in 2012 as compared to 2011 primarily due to a reduction in shared administrative and employee related costs required to support the Wireline segment as a result of

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the decline in revenue. Total selling, general and administrative expense as a percentage of net services revenue was 11% for the year ended December 31, 2013 and 12% in both the years ended 2012 and 2011.

Combined Year Ended December 31, 2013 and Predecessor Year Ended December 31, 2012

In addition to the explanations above, selling, general and administrative expense for the combined year ended December 31, 2013 as compared to the Predecessor period in 2012 decreased primarily due to a reduction in shared administrative and employee related costs required to support the Wireline segment as a result of the decline in revenue.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

	Combined Year Ended December 31, 2013	Successor Year Ended December 31, 2013	Predecessor 191 Days Ended July 10, 2013	Years Ended December 31, 2012	Years Ended December 31, 2011
	(in millions)				
Net cash provided by (used in) operating activities	$2,610	$(61)	$2,671	$2,999	$3,691
Net cash used in investing activities	$(24,493)	$(18,108)	$(6,385)	$(6,375)	$(3,443)
Net cash provided by (used in) financing activities	$24,419	$24,528	$(109)	$4,280	$26

Operating Activities

Net cash used in operating activities of approximately $61 million in 2013 for the Successor period decreased $3.1 billion from the same period in 2012 for the Predecessor. The decrease was primarily due to comparing a shortened Post-merger period to a period consisting of a full calendar year and also included $180 million of call redemption premiums paid to retire the Clearwire debt and approximately $225 million of interest payments related to Clearwire debt. Net cash provided by operating activities in 2013, on a combined basis, of approximately $2.6 billion decreased $389 million as compared to the Predecessor in 2012. In addition to the explanations above, the decrease was primarily due to increased vendor and labor-related payments of $475 million and increased cash paid for interest of approximately $213 million primarily as a result of less interest capitalized related to spectrum licenses used for our network modernization. This was partially offset by increased cash received from customers of $699 million.

Net cash provided by operating activities of $3.0 billion in 2012 decreased $692 million from the same period in 2011. The decrease resulted from increases in vendor and labor-related payments of $1.5 billion, which primarily related to an increase in the average cost of postpaid and prepaid devices sold and increased cash paid for interest of $339 million primarily due to an increase in the weighted average long-term debt balance and effective interest rate. This was partially offset by increased cash received from customers of $1.1 billion primarily due to increases in postpaid ARPU and total net subscribers. Included in our vendor and labor related payments was $108 million in pension contribution payments made during 2012.

Investing Activities

Net cash used in investing activities for the Successor period increased by approximately $11.7 billion as compared to the related Predecessor period, primarily due to increased cash paid related to the SoftBank Merger of $14.1 billion, net of cash acquired. This increase was partially offset by decreased purchases of short-term investments of approximately $1.5 billion, increased proceeds of approximately $200 million from sales and maturities of short-term investments and a reduction in capital expenditures of approximately $400 million as a result of comparing a shortened Post-merger period to a period consisting of a full calendar year.

Net cash used in investing activities for 2012 increased by $2.9 billion from 2011, primarily due to increases of $2.4 billion in purchases of short-term investments and $1.1 billion in capital expenditures, partially offset by an increase of $533 million in proceeds from sales and maturities of short-term investments. Increases in capital expenditures were primarily related to spend for our network modernization, partially offset by reductions to legacy equipment spend. We also recognized $128 million in the form of a note receivable from Clearwire in 2012 as a result of the additional investment provided in the fourth quarter 2011. In addition, we purchased Clearwire

Corporation Class A Common Stock and Clearwire Communications LLC Class B Interests from Eagle River for $100 million in December 2012.

Financing Activities

Net cash provided by financing activities was $24.5 billion during the Successor period, which included proceeds from the issuance of common stock and warrants of approximately $18.6 billion related to the SoftBank Merger. In addition, the Company issued $9.0 billion in unregistered debt with registration rights consisting of a September 11, 2013 issuance of $2.25 billion aggregate principal amount of 7.250% notes due 2021 and $4.25 billion aggregate principal amount of 7.875% notes due 2023, and a December 12, 2013 issuance of $2.5 billion aggregate principal amount of 7.125% notes due 2024, each guaranteed by Sprint Communications. We also incurred approximately $147 million of debt issuance costs. These increases, along with net borrowings under our secured equipment credit facility of approximately $444 million, were offset by the retirement of approximately $3.3 billion principal amount of Clearwire debt.

Net cash provided by financing activities was $4.3 billion during 2012. During 2012, the Company issued senior notes, guaranteed notes, and a convertible bond, as well as had drawdowns on the secured equipment credit facility totaling, in the aggregate, approximately $9.2 billion and redeemed the remaining $4.8 billion of Nextel Communications, Inc. senior notes. In addition, we incurred $134 million of debt financing costs in 2012.

Net cash provided by financing activities was $26 million during 2011. During 2011, the Company repaid certain debt obligations, including $1.65 billion of Sprint Capital Corporation 7.625% senior notes, the early redemption of $2.0 billion of Sprint Capital Corporation 8.375% senior notes and repayment of $250 million of the $750 million loan agreement with Export Development Canada (EDC Agreement). The reductions in debt obligations were offset by proceeds from issuances of $1.0 billion of aggregate principal amount of 11.5% senior notes due 2021 and $3.0 billion of aggregate principal amount of 9% guaranteed notes due 2018 in a private placement in November 2011. We also paid $86 million for debt financing costs associated with our November 2011 debt issuances and fourth quarter credit facility amendments.

Working Capital

As of the Successor year ended December 31, 2013, we had working capital of $2.4 billion compared to $4.9 billion as of the Predecessor year ended December 31, 2012. Our working capital as of December 31, 2013 and December 31, 2012 includes accrued capital expenditures for unbilled services totaling approximately $1.4 billion and $900 million, respectively, related to our network modernization. In addition to the increase in accrued capital expenditures, our decline in working capital is also the result of increases of approximately $500 million in accrued severance and exit costs primarily associated with severance actions taken in the fourth quarter 2013 and accrued exit costs related to the shut-down of the Nextel platform and decreases of approximately $700 million in short-term investments. Also contributing to the decline in working capital was an increase in the current portion of long-term debt of approximately $600 million which was primarily due to the Clearwire Communications, LLC and Clearwire Finance, Inc. 8.25% Exchangeable Notes due 2040 becoming exchangeable at any time, at the holder’s option, as a result of the close of the Clearwire Acquisition for a fixed amount of cash. The balance is due to changes in other current assets and liabilities.

Available Liquidity

As of December 31, 2013, our liquidity, including cash, cash equivalents, short-term investments and available borrowing capacity under our revolving bank credit facility was $9.6 billion. Our cash, cash equivalents and short-term investments totaled $7.5 billion as of the Successor year ended December 31, 2013 compared to $8.2 billion as of the Predecessor year ended December 31, 2012. As of December 31, 2013, approximately $914 million in letters of credit were outstanding under our $3.0 billion revolving bank credit facility, including the letter of credit required by the 2004 FCC Report and Order to reconfigure the 800 MHz band (the "Report and Order"). Certain indentures that govern our outstanding notes also require compliance with various covenants, including covenants that limit the ability of the Company and its subsidiaries to sell all or substantially all of its assets, and limit the ability of the Company and its subsidiaries to incur indebtedness and liens, each as defined by the terms of the indentures and supplemental indentures. As a result of the outstanding letters of credit, which directly reduce the availability of the revolving bank credit facility, we had approximately $2.1 billion of borrowing capacity available under the revolving bank credit facility as of December 31, 2013. Our revolving bank credit facility expires in February 2018.

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Strategic Initiatives

Apple Contract

Our commitment with Apple requires us to purchase a minimum number of smartphones. Since our launch of the iPhone, we have sold in excess of 15 million iPhones and continue to project that we will meet our minimum obligation over the contract term.

Network Capital Expenditures

We are currently in the process of modernizing our network and deploying new technology to allow for the consolidation and optimization of our existing 800 MHz and 1.9 GHz spectrum, along with the 2.5 GHz spectrum into our base stations. Our expected timeline, our capital needs to maintain and operate our existing infrastructure, and our integration of the recently acquired Clearwire 2.5 GHz spectrum are expected to require substantial amounts of capital expenditures and increased operating expenditures during the period of integration and deployment.

Long-Term Debt and Scheduled Maturities

The following debt issuances and retirements occurred during 2013:

	Date	Interest rate	Maturity	Amount (in millions)
Issuances:				
Senior notes	September 2013	7.875%	2023	$4,250
Senior notes	September 2013	7.250%	2021	2,250
Senior notes	December 2013	7.125%	2024	2,500
Secured equipment credit facility(1)	Various	2.030%	2017	704
Total issuances				$9,704
Retirements:				
iPCS, Inc. first-lien secured notes	May 2013	Floating rate	2013	$300
Clearwire Communications LLC senior secured notes (2)	September 2013	12.000%	2015	414
Clearwire Communications LLC second-priority secured notes (2)	October 2013	12.000%	2017	175
Clearwire Communications LLC senior secured notes (2)	December 2013	12.000%	2015	2,349
Clearwire Communications LLC second-priority secured notes (2)	December 2013	12.000%	2017	325
Secured equipment credit facility(1)	Various	2.030%	2017	111
Total retirements				$3,674

(1) In May 2012, certain of our subsidiaries entered into a $1.0 billion secured equipment credit facility that expires in March 2017 to finance equipment-related purchases from Ericsson for our network modernization. The facility is secured by a lien on the equipment purchased and is fully and unconditionally guaranteed by Sprint Communications, Inc. The facility was equally divided into two consecutive tranches of $500 million, which were both fully drawn as of December 31, 2013. Repayments of outstanding amounts under the secured equipment credit facility cannot be re-drawn. The cost of funds under this facility includes a fixed interest rate of 2.03%, and export credit agency premiums and other fees that, in total, equate to an expected effective interest rate of approximately 6% based on assumptions such as timing and amounts of drawdowns.

(2) Notes of Clearwire Communications LLC were also direct obligations of Clearwire Finance, Inc. and were guaranteed by certain Clearwire subsidiaries.

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The following graph depicts our future principal maturities of debt as of December 31, 2013:
* This table excludes (i) our unsecured revolving bank credit facility, which will expire in 2018 and has no outstanding balance, and under which $914 million in letters of credit are outstanding, (ii) vendor financing notes assumed in the Clearwire Acquisition, and (iii) all capital leases and other financing obligations.

Liquidity and Capital Resource Requirements

To meet our short- and long-term liquidity requirements, we look to a variety of funding sources. Our existing liquidity balance and cash generated from operating activities is our primary source of funding. In addition to cash flows from operating activities, we rely on the ability to issue debt and equity securities, the ability to issue other forms of financing, and the borrowing capacity available under our credit facilities to support our short- and long-term liquidity requirements. We believe our existing available liquidity and cash flows from operations will be sufficient to meet our funding requirements through the next twelve months, including debt service requirements and other significant future contractual obligations. To maintain an adequate amount of available liquidity and execute according to the timeline of our current business plan, which includes network deployment and maintenance, subscriber growth, data usage capacity needs and the expected achievement of a cost structure intended to achieve more competitive margins, we may need to raise additional funds from external resources. If we are unable to fund our remaining capital needs from external resources on terms acceptable to us, we would need to modify our existing business plan, which could adversely affect our expectation of long-term benefits to results from operations and cash flows from operations.

The terms and conditions of our revolving bank credit facility, which expires in February 2018, require that, at the end of each fiscal quarter, the ratio (Leverage Ratio) of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and other non-recurring items (adjusted EBITDA each as defined in the applicable agreement), not exceed 6.25 to 1.0 at any quarter end through June 30, 2014. After June 30, 2014, the Leverage Ratio declines on a scheduled basis, as determined by the credit agreement, until the ratio becomes fixed at 4.0 to 1.0 for the fiscal quarter ending December 31, 2016 and each fiscal quarter ending thereafter. The unsecured EDC Agreement and secured equipment credit facility were amended on March 12, 2013 and June 24, 2013, respectively, to provide for terms similar to those of the amended revolving bank credit facility, except that under the terms of the EDC Agreement and secured equipment credit facility, repayments of outstanding amounts cannot be re-drawn. As of December 31, 2013, our Leverage Ratio, as defined by the amended revolving bank credit facility, EDC Agreement, and secured equipment credit facility was 5.9 to 1.0. In addition, since our leverage ratio exceeds 2.5 to 1.0 at quarter end, we were also restricted from paying cash dividends.

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In determining our expectation of future funding needs in the next twelve months and beyond, we have considered:

- projected revenues and expenses relating to our operations;
- continued availability of a revolving bank credit facility in the amount of $3.0 billion, which expires in February 2018 and was amended in February 2014 to provide for additional capacity of $300 million bringing the total capacity to $3.3 billion;
- any scheduled payments or anticipated redemptions related to capital lease and debt obligations assumed in the Clearwire Acquisition;
- anticipated levels and timing of capital expenditures, including the capacity and upgrading of our networks and the deployment of new technologies in our networks, and FCC license acquisitions taking into consideration the 2.5 GHz spectrum acquired in the Clearwire Acquisition;
- anticipated payments under the Report and Order, as supplemented;
- any additional contributions we may make to our pension plan;
- any scheduled principal payments; and
- other future contractual obligations, including our network modernization plan, and general corporate expenditures.

Our ability to fund our capital needs from external sources is ultimately affected by the overall capacity and terms of the banking and securities markets, as well as our performance and our credit ratings. Given our recent financial performance as well as the volatility in these markets, we continue to monitor them closely and to take steps to maintain financial flexibility at a reasonable cost of capital.

The following outlooks and credit ratings from Moody's Investor Service, Standard & Poor's Ratings Services, and Fitch Ratings for certain of Sprint Corporation's outstanding obligations were:

	Rating				
Rating Agency	Issuer Rating	Unsecured Notes	Guaranteed Notes	Bank Credit Facility	Outlook
Moody's	Ba3	B1	Ba2	Baa3	Stable
Standard and Poor's	BB-	BB-	BB+	BB+	Stable
Fitch	B+	B+	BB	BB	Stable

We expect to remain in compliance with our covenants through the next twelve months, although there can be no assurance that we will do so. Although we expect to improve our Sprint platform postpaid subscriber results, and execute on our network modernization and integration plans, if we do not meet our expectations, depending on the severity of any difference in actual results versus what we currently anticipate, it is possible that we would not remain in compliance with our covenants or be able to meet our debt service obligations, which could result in acceleration of our indebtedness. If such unforeseen events occur, we may engage with our lenders to obtain appropriate waivers or amendments of our credit facilities or refinance borrowings, although there is no assurance we would be successful in any of these actions.

A default under any of our borrowings could trigger defaults under certain of our our other debt obligations, which in turn could result in the maturities being accelerated. Certain indentures that govern our outstanding notes also require compliance with various covenants, including covenants that limit the Company's ability to sell all or substantially all of its assets, limit the Company and its subsidiaries' ability to incur indebtedness and liens, each as defined by the terms of the indentures.

CURRENT BUSINESS OUTLOOK

The Company expects 2014 consolidated segment earnings to be between $6.5 billion and $6.7 billion and 2014 capital expenditures to be approximately $8 billion.

The above discussion is subject to the risks and other cautionary and qualifying factors set forth under "Forward-Looking Statements" and "Part I, Item 1A. Risk Factors" in this report.

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FUTURE CONTRACTUAL OBLIGATIONS

The following table sets forth our current estimates as to the amounts and timing of contractual payments as of December 31, 2013. Future events, including additional purchases of our securities and refinancing of those securities, could cause actual payments to differ significantly from these amounts. See "Item 1A. Risk Factors."

Future Contractual Obligations	Total	2014	2015	2016	2017	2018	2019 and thereafter
	(in millions)						
Notes, credit facilities and debentures(1)	$50,510	$2,797	$3,056	$4,815	$4,466	$4,873	$30,503
Capital leases and financing obligation(2)	650	134	123	89	78	59	167
Operating leases(3)	16,651	2,250	1,989	1,893	1,819	1,776	6,924
Spectrum leases and service credits(4)	6,855	189	190	196	214	212	5,854
Purchase orders and other commitments(5)	22,164	11,954	5,679	2,360	765	591	815
Total	$96,830	$17,324	$11,037	$9,353	$7,342	$7,511	$44,263

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(1) Includes outstanding principal and estimated interest payments. Interest payments are based on management's expectations for future interest rates in the case of any variable rate debt.

(2) Represents capital lease payments including interest and financing obligation related to the sale and subsequent leaseback of multiple tower sites.

(3) Includes future lease payments related to cell and switch sites, real estate, network equipment and office space.

(4) Includes future spectrum lease payments as well as service credits related to commitments to provide services to certain lessors and reimburse lessors for certain capital equipment and third-party service expenditures, over the term of the lease.

(5) Includes service, spectrum, network equipment, devices and other executory contracts, including our contract with Apple. Excludes blanket purchase orders in the amount of $31 million. See below for further discussion.

"Purchase orders and other commitments" include minimum purchases we commit to purchase from suppliers over time and/or the unconditional purchase obligations where we guarantee to make a minimum payment to suppliers for goods and services regardless of whether we take delivery. These amounts do not represent our entire anticipated purchases in the future, but generally represent only our estimate of those items for which we are committed. Our estimates are based on assumptions about the variable components of the contracts such as hours contracted, number of subscribers, pricing, and other factors. In addition, we are party to various arrangements that are conditional in nature and create an obligation to make payments only upon the occurrence of certain events, such as the delivery of functioning software or products. Because it is not possible to predict the timing or amounts that may be due under these conditional arrangements, no such amounts have been included in the table above. The table above also excludes approximately $31 million of blanket purchase order amounts since their agreement terms are not specified. No time frame is set for these purchase orders and they are not legally binding. As a result, they are not firm commitments.

Our liability for uncertain tax positions was $166 million as of December 31, 2013. Due to the inherent uncertainty of the timing of the resolution of the underlying tax positions, it is not practicable to assign this liability to any particular year(s) in the table.

The table above does not include remaining costs to be paid in connection with the fulfillment of our obligations under the Report and Order. The Report and Order requires us to make a payment to the U.S. Treasury at the conclusion of the band reconfiguration process to the extent that the value of the 1.9 GHz spectrum we received exceeds the total of the value of licenses for spectrum in the 700 MHz and 800 MHz bands that we surrendered under the decision plus the actual costs, or qualifying costs, that we incur to retune incumbents and our own facilities. From the inception of the program through December 31, 2013, we have incurred approximately $3.3 billion of costs directly attributable to the spectrum reconfiguration program. This amount does not include any of our internal network costs that we have preliminarily allocated to the reconfiguration program for capacity sites and modifications for which we may request credit under the reconfiguration program. We estimate, based on our experience to date with the reconfiguration program and on information currently available, that our total direct costs attributable to complete the spectrum reconfigurations will range between $3.7 and $3.8 billion. Accordingly, we believe that it is unlikely that we will be required to make a payment to the U.S. Treasury.

OFF-BALANCE SHEET FINANCING

We do not participate in, or secure, financings for any unconsolidated, special purpose entities.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Sprint applies those accounting policies that management believes best reflect the underlying business and economic events, consistent with U.S. GAAP. Sprint's more critical accounting policies include those related to the basis of presentation, allowance for doubtful accounts, valuation and recoverability of our equity method investment in Clearwire prior to the acquisition of the remaining equity interests on July 9, 2013, valuation and recoverability of long-lived assets, and evaluation of goodwill and indefinite-lived assets for impairment. Inherent in such policies are certain key assumptions and estimates made by management. Management regularly updates its estimates used in the preparation of the financial statements based on its latest assessment of the current and projected business and general economic environment. These critical accounting policies have been discussed with Sprint's Board of Directors. Sprint's significant accounting policies and estimates are summarized in the Notes to the Consolidated Financial Statements.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses that result from failure of our subscribers to make required payments. Our estimate of the allowance for doubtful accounts considers a number of factors, including collection experience, aging of the accounts receivable portfolios, credit quality of the subscriber base, and other qualitative considerations. To the extent that actual loss experience differs significantly from historical trends, the required allowance amounts could differ from our estimate. A 10% change in the amount estimated to be uncollectible would result in a corresponding change in bad debt expense of approximately $16 million for the Wireless segment and was immaterial for the Wireline segment.

Valuation and Recoverability of Long-lived Assets

Long-lived assets consist primarily of property, plant and equipment and intangible assets subject to amortization. Changes in technology or in our intended use of these assets, as well as changes in economic or industry factors or in our business or prospects, may cause the estimated period of use or the value of these assets to change.

Property, plant and equipment are generally depreciated on a straight-line basis over estimated economic useful lives. Certain network assets are depreciated using the group life method. Depreciable life studies are performed periodically to confirm the appropriateness of depreciable lives for certain categories of property, plant and equipment. These studies take into account actual usage, physical wear and tear, replacement history and assumptions about technology evolution. When these factors indicate that an asset's useful life is different from the previous assessment, we depreciate the remaining book values prospectively over the adjusted remaining estimated useful life. Depreciation rates for assets using the group life method are revised periodically as required under this method. Changes made as a result of depreciable life studies and rate changes generally do not have a material effect on depreciation expense.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived asset groups were determined based upon certain factors including assessing the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the total of the expected undiscounted future cash flows is less than the carrying amount of our assets, a loss is recognized for the difference between the estimated fair value and carrying value of the assets. Impairment analyses, when performed, are based on our current business and technology strategy, views of growth rates for our business, anticipated future economic and regulatory conditions and expected technological availability. Our estimate of undiscounted cash flows exceeded the carrying value of these assets by approximately 10%. If we experience significant operational challenges, including retaining and attracting subscribers, future cash flows of the Company may not be sufficient to recover the carrying value of our wireless asset group, and we could record asset impairments that are material to Sprint's consolidated results of operations and financial condition.

In addition to the analysis described above, certain assets that have not yet been deployed in the business, including network equipment, cell site development costs and software in development will be expensed if events or changes in circumstances cause the Company to conclude the assets are no longer needed to meet management's strategic plans and are no longer probable of being deployed. Refer to Results of Operations for additional information on asset impairments.

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Evaluation of Goodwill and Indefinite-Lived Intangible Assets for Impairment

As a result of the SoftBank Merger and the remeasurement of assets acquired and liabilities assumed in connection with the transaction, Sprint recognized goodwill at its estimate of fair value of approximately $6.4 billion, which has been entirely allocated to the wireless segment. Since goodwill is reflected at its estimate of fair value, there is no excess fair value over book value as of the date of the close of the SoftBank Merger. The determination of the estimated fair value of goodwill required judgment and was based upon numerous assumptions and estimates.

Sprint evaluates the carrying value of goodwill at least annually, or if necessary, more frequently whenever events or changes in circumstances indicate that the carrying amount may exceed estimated fair value. Our analysis includes a comparison of the estimated fair value of the reporting unit to which goodwill applies to the carrying value, including goodwill, of that reporting unit.

Differences in the Company's actual future cash flows, operating results, growth rates, capital expenditures, cost of capital, discount rates and other assumptions as compared to the estimates utilized for the purpose of valuing goodwill as a result of the SoftBank Merger, as well as a decline in the Company's stock price and related market capitalization, could affect the results of our goodwill assessment and potentially lead to a future material goodwill impairment.

We regularly assess whether any indicators of impairment exist, which requires judgment. Such indicators may include a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and/or slower growth rates, among others. Any adverse change in these factors could result in significant impairments.

Our FCC licenses and our Sprint and Boost Mobile tradenames were recorded at their acquisition-date estimated fair values of $35.7 billion and $5.9 billion, respectively, in connection with the SoftBank Merger. We have identified the FCC licenses and the Sprint and Boost Mobile tradenames as indefinite-lived intangible assets after considering the expected use of the assets, the regulatory and economic environment within which they are being used, and the effects of obsolescence on their use. We estimated the acquisition-date fair value of FCC licenses using the Greenfield direct value method, which approximates fair value through estimating the discounted future cash flows of a hypothetical start-up business. Assumptions key in estimating fair value under this method include, but are not limited to, capital expenditures, subscriber activations and deactivations, revenues and expenses, market share achieved, tax rates in effect and discount rate. We estimated the acquisition-date fair value of our Sprint and Boost Mobile tradenames using the relief from royalty method, which estimates the amount a market participant would pay to use the tradenames. Assumptions key in estimating fair value under this method include, but are not limited to, revenues, royalty rates, tax rates in effect and discount rate.

We evaluate the carrying value of FCC licenses and Sprint and Boost Mobile tradenames at least annually, or if necessary, more frequently if events or changes in circumstances indicate the asset may be impaired. Our analysis includes a comparison of the estimated fair value of the asset to its carrying value. Fair value is estimated using the methods described above, which were used to value the assets in connection with the SoftBank Merger. Future business and economic conditions, as well as significant changes in any of the assumptions used to estimate the acquisition-date fair value, may result in future, significant impairments.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding Disclosures about Offsetting Assets and Liabilities, which requires common disclosure requirements to allow investors to better compare and assess the effect of offsetting arrangements on financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The standard was effective beginning in the first quarter 2013, requires retrospective application, and only affects disclosures in the footnotes to the financial statements. In October 2012, the FASB tentatively decided to limit the scope of this authoritative guidance to derivatives, repurchase agreements, and securities lending and securities borrowing arrangements. In January 2013, the FASB issued additional clarifying guidance which limited the scope of the disclosure requirements to derivatives, repurchase agreements and reverse purchase agreements, and securities lending and securities borrowing transactions that are either offset in accordance with specific criteria contained in U.S. GAAP or subject

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to a master netting arrangement or similar agreement. Based on the scope revision, this authoritative guidance did not impact our existing disclosures.

In February 2013, the FASB issued authoritative guidance regarding Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which amends existing guidance and requires, in a single location, the presentation of the effects of certain significant amounts reclassified from each component of accumulated other comprehensive income based on its source and Statement of Comprehensive (Loss) Income line items affected by the reclassification. The guidance was effective beginning in the first quarter 2013 and did not have a material effect on our consolidated financial statements as amounts reclassified out of other comprehensive income, consisting primarily of the recognition of periodic pension costs and realized holding gains and losses, are immaterial for all periods presented.

In July 2013, the FASB issued authoritative guidance regarding Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force), which amends existing guidance related to the financial presentation of unrecognized tax benefits by requiring an entity to net its unrecognized tax benefits against the deferred tax assets for all available same-jurisdiction loss or other tax carryforwards that would apply in settlement of the uncertain tax positions. The amendments will be effective beginning in the first quarter of 2014 with early adoption permitted, will be applied prospectively to all unrecognized tax benefits that exist at the effective date, and are not expected to have a material effect on our consolidated financial statements.

FINANCIAL STRATEGIES

General Risk Management Policies

Our board of directors has adopted a financial risk management policy that authorizes us to enter into derivative transactions, and all transactions comply with the policy. We do not purchase or hold any derivative financial instruments for speculative purposes with the exception of equity rights obtained in connection with commercial agreements or strategic investments, usually in the form of warrants to purchase common shares.

Derivative instruments are primarily used for hedging and risk management purposes. Hedging activities may be done for various purposes, including, but not limited to, mitigating the risks associated with an asset, liability, committed transaction or probable forecasted transaction. We seek to minimize counterparty credit risk through stringent credit approval and review processes, credit support agreements, continual review and monitoring of all counterparties, and thorough legal review of contracts. Exposure to market risk is controlled by regularly monitoring changes in hedge positions under normal and stress conditions to ensure they do not exceed established limits.

OTHER INFORMATION

We routinely post important information on our website at www.sprint.com/investors. Information contained on or accessible through our website is not part of this annual report.

FORWARD-LOOKING STATEMENTS

We include certain estimates, projections and other forward-looking statements in our annual, quarterly and current reports, and in other publicly available material. Statements regarding expectations, including performance assumptions and estimates relating to capital requirements, as well as other statements that are not historical facts, are forward-looking statements.

These statements reflect management's judgments based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. With respect to these forward-looking statements, management has made assumptions regarding, among other things, subscriber and network usage, subscriber growth and retention, pricing, operating costs, the timing of various events, and the economic and regulatory environment.

Future performance cannot be assured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- our ability to retain and attract subscribers and to manage credit risks associated with our subscribers;

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- the ability of our competitors to offer products and services at lower prices due to lower cost structures;
- our ability to operationalize the anticipated benefits from the SoftBank, Clearwire and U.S. Cellular transactions;
- our ability to comply with the requirements of the National Security Agreement;
- our ability to fully integrate the operations of Clearwire and access and utilize its spectrum;
- the effects of vigorous competition on a highly penetrated market, including the impact of competition on the price we are able to charge subscribers for services and equipment we provide and on the geographic areas served by Sprint's wireless networks;
- the impact of equipment net subsidy costs; the impact of increased purchase commitments; the overall demand for our service offerings, including the impact of decisions of new or existing subscribers between our postpaid and prepaid service offerings; and the impact of new, emerging and competing technologies on our business;
- our ability to provide the desired mix of integrated services to our subscribers;
- the ability to generate sufficient cash flow to fully implement our network modernization and integration plans to improve and enhance our networks and service offerings, improve our operating margins, implement our business strategies and provide competitive new technologies;
- the effective implementation of our network modernization plans, including timing, execution, technologies, costs, and performance of our network;
- our ability to retain subscribers acquired during transactions and mitigate related increases in churn;
- our ability to continue to access our spectrum and additional spectrum capacity;
- changes in available technology and the effects of such changes, including product substitutions and deployment costs;
- our ability to obtain additional financing on terms acceptable to us, or at all;
- volatility in the trading price of our common stock, current economic conditions and our ability to access capital;
- the impact of unrelated parties not meeting our business requirements, including a significant adverse change in the ability or willingness of such parties to provide devices or infrastructure equipment for our networks;
- the costs and business risks associated with providing new services and entering new geographic markets;
- the effects of any future merger or acquisition involving us, as well as the effect of mergers, acquisitions and consolidations, and new entrants in the communications industry, and unexpected announcements or developments from others in the communications industry;
- unexpected results of litigation filed against us or our suppliers or vendors;
- the costs or potential customer impact of compliance with regulatory mandates including, but not limited to, compliance with the FCC's Report and Order to reconfigure the 800 MHz band and government regulation regarding "net neutrality";
- equipment failure, natural disasters, terrorist acts or breaches of network or information technology security;
- one or more of the markets in which we compete being impacted by changes in political, economic or other factors such as monetary policy, legal and regulatory changes, or other external factors over which we have no control;
- the impact of being a "controlled company" exempt from many corporate governance requirements of the NYSE; and
- other risks referenced from time to time in this report and other filings of ours with the SEC.

The words "may," "could," "should," "estimate," "project," "forecast," "intend," "expect," "anticipate," "believe," "target," "plan," "providing guidance" and similar expressions are intended to identify forward-looking

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statements. Forward-looking statements are found throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report. Readers are cautioned that other factors, although not listed above, could also materially affect our future performance and operating results. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. We are not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this report, including unforeseen events.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to the market risk associated with unfavorable movements in interest rates, foreign currencies, and equity prices. The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes in those factors.

Interest Rate Risk

The communications industry is a capital-intensive, technology-driven business. We are subject to interest rate risk primarily associated with our borrowings. Interest rate risk is the risk that changes in interest rates could adversely affect earnings and cash flows. Specific interest rate risk includes: the risk of increasing interest rates on variable rate debt and the risk of increasing interest rates for planned new fixed rate long-term financings or refinancings.

Approximately 95% of our debt as of December 31, 2013 was fixed-rate debt. While changes in interest rates impact the fair value of this debt, there is no impact to earnings and cash flows because we intend to hold these obligations to maturity unless market and other conditions are favorable.

We perform interest rate sensitivity analyses on our variable rate debt. These analyses indicate that a one percentage point change in interest rates would have an annual pre-tax impact of $9 million on our consolidated statements of operations and cash flows for the year ended December 31, 2013. We also perform a sensitivity analysis on the fair market value of our outstanding debt. A 10% decline in market interest rates is estimated to result in a $1.2 billion increase in the fair market value of our debt to $35.6 billion.

Foreign Currency Risk

We may enter into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Our foreign exchange risk management program focuses on reducing transaction exposure to optimize consolidated cash flow. We use foreign currency derivatives to hedge our foreign currency exposure related to settlement of international telecommunications access charges and the operation of our international subsidiaries. The dollar equivalent of our net foreign currency receivables from international settlements was less than $1 million and the net foreign currency receivables from international operations was approximately $3 million as of December 31, 2013. The potential immediate pre-tax loss to us that would result from a hypothetical 10% change in foreign currency exchange rates based on these positions would be less than $1 million.

Equity Risk

We are exposed to market risk as it relates to changes in the market value of our investments. We invest in equity instruments of public companies for operational and strategic business purposes. These securities are subject to significant fluctuations in fair market value due to volatility of the stock market and industries in which the companies operate. These securities, which are classified in investments on the consolidated balance sheets, primarily include equity method investments, such as available-for-sale securities.

In certain business transactions, we are granted warrants to purchase the securities of other companies at fixed rates. These warrants are supplemental to the terms of the business transaction and are not designated as hedging instruments.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements required by this item begin on page F-1 of this annual report on Form 10-K and are incorporated herein by reference. The financial statements of Clearwire up through the date of acquisition, as required under Regulation S-X, are included in Item 15 of this annual report on Form 10-K and incorporated herein by reference.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures
Evaluation of Disclosure Controls and Procedures
Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports under the Securities Exchange Act of 1934, such as this Annual Report on Form 10-K, is reported in accordance with the SEC's rules. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.
In connection with the preparation of this Annual Report on Form 10-K, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the disclosure controls and procedures were effective as of December 31, 2013 in providing reasonable assurance that information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and in providing reasonable assurance that the information is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.
Internal controls over our financial reporting continue to be updated as necessary to accommodate modifications to our business processes and accounting procedures. There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
Management's Report on Internal Control over Financial Reporting
Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes.
Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013. This assessment was based on the criteria set forth by the 1992 Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on this assessment, management believes that, as of December 31, 2013, our internal control over financial reporting was effective.
Our independent registered public accounting firm has issued a report on the effectiveness of our internal control over financial reporting. This report appears on page F-2.

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Item 9B. Other Information

Disclosure of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Securities Exchange Act of 1934. Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, including, among other matters, transactions or dealings relating to the government of Iran. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

After the SoftBank Merger, SoftBank acquired control of Sprint. During the year ended December 31, 2013, SoftBank, through one of its non-U.S. subsidiaries, provided telecommunications services in Iran to Telecommunications Services Company (MTN Irancell) and Mobile Telecommunication Company of Iran, one or both of which are or may be government-controlled entities. During the year ended December 31, 2013, SoftBank estimates that gross revenues were approximately $13,000 and no net profit was generated. This subsidiary also provided telecommunications services to a single account at the Embassy of Iran in Japan. During the year ended December 31, 2013, SoftBank estimates that gross revenues and net profit generated by such services were estimated to be under $4,000 and $2,000 respectively. In addition, SoftBank, through another one of its non-U.S. subsidiaries, provided international direct dialing services between Iran and Japan pursuant to an interconnection arrangement with Telecommunication of Iran, which is or may be a government-controlled entity. During the year ended December 31, 2013, SoftBank estimates that gross revenues were under $1,000 and no net profit was generated pursuant to the interconnection arrangement. Sprint was not involved in, and did not receive any revenue from, any of these activities. The relevant SoftBank subsidiaries have terminated or are in the process of terminating the arrangements with Telecommunications Services Company (MTN Irancell), Telecommunication of Iran and Mobile Telecommunication Company of Iran. With respect to the single account at the Embassy of Iran in Japan, the relevant SoftBank subsidiary is obligated under contract to continue such account.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance
The names of our directors and executive officers and their ages, positions, and biographies as of February 24, 2014 are set forth below. Our executive officers are appointed by and serve at the discretion of our board of directors. There are no family relationships among any of our directors or executive officers.
Director and Executive Officer

Name	Experience	Director Since	Age
Daniel R. Hesse	President and Chief Executive Officer. Before becoming the President and Chief Executive Officer in December 2007, Mr. Hesse was Chairman, President, and Chief Executive Officer of Embarq Corporation. He served as Chief Executive Officer of Sprint’s Local Telecommunications Division from June 2005 until the Embarq spin-off in May 2006. Before that, Mr. Hesse served as Chairman, President and Chief Executive Officer of Terabeam Corp., a wireless telecommunications service provider and technology company, from 2000, until 2004. Prior to serving at Terabeam Corp., Mr. Hesse spent 23 years at AT&T during which he held various senior management positions, including President and Chief Executive Officer of AT&T Wireless Services. He serves on the board of directors of the National Board of Governors of the Boys and Girls Clubs of America and the University of Notre Dame's Mendoza College of Business. He previously served on the board of directors of Clearwire Corporation.	2007	60

Executive Officers

Name	Experience	Current Position Held Since	Age
Joseph J. Euteneuer	Chief Financial Officer. Mr. Euteneuer served as Executive Vice President and Chief Financial Officer of Qwest, a wireline telecom company, from September 2008 until April 2011. Previously, Mr. Euteneuer served as Executive Vice President and Chief Financial Officer of XM Satellite Radio Holdings Inc., a satellite radio provider, from 2002 to 2008 after it merged with SIRIUS Satellite Radio, Inc. Prior to joining XM, Mr. Euteneuer held various management positions at Comcast Corporation and its subsidiary, Broadnet Europe. He began his career in public accounting in 1978 with Deloitte and has also worked at PricewaterhouseCoopers. He is a Certified Public Accountant.	2011	58
Robert L. Johnson	President - Retail Sales and Chief Service & Information Technology Officer. Mr. Johnson served as Chief Service Officer of Sprint since October 2007 and his role was expanded to Chief Service and Information Technology Officer in August 2011. He served as President-Northeast Region from September 2006 to October 2007. He served as Senior Vice President-Consumer Sales, Service and Repair from August 2005 to August 2006. He served as Senior Vice President-National Field Operations of Nextel from February 2002 to	2011	55

	July 2005.		
Jeffery D. Hallock	Chief Marketing Officer. Mr. Hallock served as Senior Vice President for Marketing and Media from 2012 until 2013, Vice President for National Channels from 2009 until 2011, Vice President for Marketing Acquisition and Base from 2006 until 2009. He held the position of Vice President and Senior Director for Product Marketing from 1999 until 2005. Mr. Hallock started with Sprint in 1996 and held leadership positions as a Director of Business Development and Manager of marketing in emerging markets and e-commerce from 1996 until1999.	2013	44

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Executive Officers

Name	Experience	Current Position Held Since	Age
Steven L. Elfman	President - Network, Technology and Operations. Mr. Elfman served as President and Chief Operating Officer of Motricity, a mobile data technology company, from January 2008 to May 2008 and as Executive Vice President of Infospace Mobile (currently Motricity) from July 2003 to December 2007. He was an independent consultant working with Accenture Ltd., a consulting company, from May 2003 to July 2003. He served as Executive Vice President of Operations of Terabeam Corporation, a communications company, from May 2000 to May 2003, and he served as Chief Information Officer of AT&T Wireless from June 1997 to May 2000.	2008	58
Matthew Carter	President - Enterprise Solutions. Mr. Carter served as Senior Vice President, Boost Mobile from April 2008 until January 2010 and as Senior Vice President, Base Management at Sprint from December 2006 until April 2008. Prior to joining Sprint, he served as Senior Vice President of Marketing at PNC Financial Services. He is a member of the board of directors at USG Corporation (NYSE: USG), a leading building products company, and the Apollo Group (NASDAQ: APO), a leading education services corporation. He also serves on the board of trustees for The Bishop's School, an independent, college preparatory day school for students in grades six through 12 in La Jolla, Calif.	2010	52
Dow Draper	President - Prepaid. Mr. Draper manages the sales and marketing for Sprint's prepaid brands, Virgin Mobile USA, Boost Mobile and Assurance Wireless. Previously, he was Senior Vice President and General Manager of Retail for CLEAR, the retail brand of Clearwire, where he oversaw the brand's sales, marketing, customer care and product development. He served in various executive positions at Clearwire since 2009. Before joining Clearwire, Mr. Draper held various roles at Alltel Wireless, including senior vice president of Voice & Data Solutions and senior vice president of Financial Planning and Analysis. He has also held various roles at Western Wireless and McKinsey and Company.	2013	43
Charles R. Wunsch	Senior Vice President - General Counsel and Corporate Secretary. Mr. Wunsch was appointed Senior Vice President, General Counsel and Corporate Secretary in October 2008. He served as our Vice President for corporate transactions and business law and has served in various legal positions at the Company since 1990. He was previously an associate and partner at the law firm Watson, Ess, Marshall, and Enggas.	2008	58
Michael C. Schwartz	Senior Vice President - Corporate and Business Development. Mr. Schwartz served as as Vice President, Marketing, Corporate Development and Regulatory at Telesat Canada, a satellite communications company, from 2007 to 2012. Previously, Mr. Schwartz served as Senior Vice President of Marketing and Corporate Development of SES New Skies, a satellite company. Prior to joining	2013	49

SES New Skies, he served as Chief Development and Financial Officer of Terabeam Corporation, responsible for business and corporate development as well as financial operations.He also was a co-founder and president of an Internet infrastructure company, and held two senior positions at AT&T Wireless Services, including Vice President of Acquisitions and Development.

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Executive Officers

Name	Experience	Current Position Held Since	Age
Paul W. Schieber, Jr.	Controller. Mr. Schieber previously served in various positions at Sprint since 1991. Most recently he served as Vice President, Access and Roaming Planning, where he was responsible for managing Sprint's roaming costs as well as its wireless and wireline access costs. Prior to that, Mr. Schieber held various leadership roles in Sprint's Finance organization including heading up Sprint's internal audit function as well as serving in various Vice President - Finance roles. He was also a director in Sprint's Tax department and a director on its Mergers and Acquisitions team. Before joining Sprint, Mr. Schieber was a senior manager with public accounting firm Ernst & Young, where he worked as an auditor and a tax consultant. In addition, he served as corporate controller for a small publicly held company.	2013	55

Directors

Name, Independence, and Committee Appointments	Experience	Director since	Age
Robert R. Bennett Independent Chairman of the Audit Committee Member of the Finance Committee	Managing Director of Hilltop Investments, LLC, a private investment company. Mr. Bennett served as President of Discovery Holding Company from March 2005 until September 2008, when the company merged with Discovery Communications, Inc., creating a new public company. Mr. Bennett also served as President and CEO of Liberty Media Corporation (now Liberty Interactive Corporation) from April 1997 until August 2005 and continued as President until February 2006. He was with Liberty Media from its inception, serving as its principal financial officer and in various other capacities. Prior to his tenure at Liberty Media, Mr. Bennett worked with Tele-Communications, Inc. and the Bank of New York. Mr. Bennett currently serves as a director of Hewlett-Packard Company, Discovery Communications, Inc., Demand Media, Inc., and Liberty Media Corporation. Mr. Bennett previously served on the board of directors of Liberty Interactive Corporation, and Discovery Holding Company. He also serves on the Board of Trustees of Denison University.	2006	55
Gordon M. Bethune Independent Chairman of the Compensation Committee Member of the Nominating and Corporate Governance Committee	Retired Chairman and Chief Executive Officer of Continental Airlines, Inc., an international commercial airline company. He served as Chief Executive Officer of Continental Airlines from 1994 and as Chairman and Chief Executive Officer from 1996 until December 30, 2004. He is currently a director of Honeywell International Inc. and Prudential Financial, Inc. He previously served on the board of directors of Willis Group Holdings, Ltd.	2004	72

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Directors

Name, Independence, and Committee Appointments	Experience	Director since	Age
Marcelo Claure SoftBank Affiliate Director Member of the Finance Committee	Mr. Claure is the founder of Brightstar Corp. and has been its Chairman, Chief Executive Officer and President since October 1997. Brightstar provides: value-added distribution, supply chain solutions, handset protection and insurance, buy-back and trade-in solutions, multi-channel retail solutions, and financial services to wireless manufactures, retailers and operators. Mr. Claure has been an Executive Director of Brightstar Corp. since October 1997. He serves as a Director of Activate IT, Inc. He served as Director of Mobilestop Inc. He serves on the board of directors of the Bolivian-American Chamber of Commerce and serves on the Board of Trustees of Bentley College.	2014	43
Ronald D. Fisher Vice Chairman SoftBank Affiliate Director Chairman of the Finance Committee Member of the Compensation Committee	Mr. Fisher joined SoftBank in 1995, overseeing its U.S. operations and its other activities outside of Asia, and was the founder of SoftBank Capital. He is currently Director and President of SoftBank Holdings, Inc. and also serves as a member of the board of directors of SoftBank Corporation. Mr. Fisher has over 30 years of experience of working with high growth and turnaround technology companies. Prior to joining SoftBank, Mr. Fisher was the CEO of Phoenix Technologies Ltd., the leading developer and marketer of system software products for personal computers, from 1990 to 1995. Mr. Fisher joined Phoenix from Interactive Systems Corporation, a UNIX software company that was purchased by the Eastman Kodak Company in 1988. At Interactive Systems he served for five years as President, initially as COO and then CEO. Mr. Fisher's experience prior to Interactive Systems includes senior executive positions at Visicorp, TRW, and ICL (USA). Mr. Fisher earned an MBA from Columbia University, New York, and a Bachelor of Commerce from the University of Witwatersrand in South Africa.	2013	66
Frank Ianna Independent Member of the Audit Committee Member of the Nominating and Corporate Governance Committee	Mr. Ianna retired from AT&T in 2003 after a 31-year career serving in various executive positions, most recently as President of Network Services. Following his retirement, Mr. Ianna served as a business consultant, executive and board member for several private and nonprofit enterprises, and has experience in telecom company operational as well as wireless technology. Mr. Ianna is a director of Harbinger Group, Inc. Mr. Ianna formerly served on the board of Tellabs, Inc.	2009	64
Adm. Michael G. Mullen Independent Member of the Compensation Committee Security Director	Admiral Mullen serves on the board of directors as the "Security Director" under the NSA. Admiral Mullen served as the 17th Chairman of the Joint Chiefs of Staff from October 2007 until his retirement in September 2011. Previously, Admiral Mullen served as the 28th Chief of Naval Operations ("CNO") from July 2005 to 2007. CNO was one of four different four-star assignments Admiral Mullen held, which also included Commander, U.S. Naval Forces Europe and Commander, Allied Joint Force Command, and the 32nd Vice Chief of Naval Operations. Admiral Mullen serves on the board of directors of General	2013	67

Motors, and since 2012, he has served as President of MGM Consulting LLC and is the Charles and Marie Robertson Visiting Professor at the Woodrow Wilson School of Public and International Affairs at Princeton University.

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Directors

Name, Independence, and Committee Appointments	Experience	Director since	Age
Masayoshi Son Chairman SoftBank Affiliate Director Member of the Finance Committee	Mr. Son founded SoftBank in September 1981, and has been its President and Chairman ever since and its Chief Executive Officer since February 1986. Mr. Son serves in various capacities with SoftBank's portfolio of companies, including service with BB Technologies Corporation (currently SoftBank BB Corp.) as president since 2001 and as Chairman and CEO since 2004, service with Japan Telecom Co., Ltd. (currently SoftBank Telecom Corp.) as Chairman since 2004 and CEO since 2006, and with Vodafone K.K. (currently SoftBank Mobile Corp.) as CEO and Chairman since 2006. In addition, Mr. Son has served as Chairman of Yahoo Japan Corporation since 1996, which was established as a joint venture between SoftBank and Yahoo! Inc. Mr. Son also has served as Chairman of the Broadband Association in Japan and of The Great East Japan Earthquake Recovery Initiative Foundation. Mr. Son received a B.A. in Economics from the University of California Berkeley.	2013	56
Sara Martinez Tucker Independent Chairwoman of the Nominating and Corporate Governance Committee Member of the Audit Committee	Ms. Tucker has been Chief Executive Officer and President at National Math and Science Initiative, Inc., since March, 2013. Ms. Tucker served as the Under Secretary of the U.S. Department of Education from 2006 to December 2008. Her responsibilities included overseeing policies, programs and activities related to postsecondary education, vocational and adult education, and federal student aid. Ms. Tucker served as the Chief Executive Officer and President of the Hispanic Scholarship Fund from 1997 to October 1, 2006. Previously, she worked for 16 years at AT&T and served as Regional Vice President of its Global Business Communications Systems. She has been a Director of American Electric Power Co., Inc. since January 27, 2009. She has been a Director of Xerox Corp. since September 1, 2011. She serves as a Director of Teach For America, Inc. She has been a Trustee of University of Notre Dame since June 2009.	2013	58

Director Nominations

The Merger Agreement contemplated that the initial Board of Directors of Sprint Corporation be comprised of ten directors, as described in Item 13. Certain Relationships and Related Person Transactions - Related Party Transactions in 2013 - Transactions with SoftBank Parties - Approved by Sprint Nextel Corporation. Upon the closing of SoftBank Merger, our board consisted of seven members, Messrs. Son, Fisher, Bennett, Bethune, Hesse, Ianna, and Adm. Mullen. Our board established a Vacancy Resolution Committee to fill the remaining three vacancies. The Vacancy Resolution Committee appointed Ms. Tucker and Mr. Claure to our board.

Our board intends to have the Vacancy Resolution Committee, which is currently comprised of Messrs. Son and Fisher and Ms. Tucker, appoint the one remaining member of our board. On February 19, 2014, our board appointed Ms. Tucker and Messrs. Bethune and Ianna to the Nominating and Corporate Governance Committee, or Nominating Committee, as contemplated by the Company's Corporate Governance Guidelines and Nominating Committee Charter. The Nominating Committee is responsible for, among other things, assisting our board by identifying qualified individuals to become directors. In evaluating prospective candidates or current board members for nomination, the Nominating Committee considers all factors it deems relevant, including, but not limited to, the candidate's:

- character, including reputation for personal integrity and adherence to high ethical standards;
- judgment;
- knowledge and experience in leading a successful company, business unit or other institution;

- independence from our company;
- ability to contribute diverse views and perspectives;
- business acumen; and

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- ability and willingness to devote the time and attention necessary to be an effective director - all in the context of an assessment of the needs of our board at that point in time.

Consistent with its charter, the Nominating Committee places a great deal of importance on identifying candidates having a variety of views and perspectives arising out of their individual experiences, professional expertise, educational background, and skills. In considering candidates for our board, the Nominating Committee considers the totality of each candidate's credentials in the context of this standard.

The Nominating Committee considers candidates recommended by our stockholders, using the same key factors described above for purposes of its evaluation. A stockholder who wishes to recommend a prospective nominee for our board should notify the Corporate Secretary in writing with supporting material that the stockholder considers appropriate. The Nominating Committee considers whether to nominate any person nominated by a stockholder pursuant to the provisions of our bylaws relating to stockholder nominations that permit stockholder to nominate directors for election at an annual stockholder meeting. To nominate a director, the stockholder must deliver the information required by our bylaws. Our bylaw provisions relating to the nomination of directors by our stockholders were adopted on July 10, 2013 upon the closing of the SoftBank Merger.

Our board believes that the above-mentioned attributes, along with the leadership skills and other experience of our board members described below, provide us with a diverse range of perspectives and judgment necessary to guide our strategies and monitor their execution.

Mr. Son's vast experience in the telecommunications industry, including his successes in Japan disrupting telecom duopolies, is valuable to Sprint. As part of the SoftBank Merger, it was determined that Mr. Son, because of his interest as Chairman and Chief Executive Officer of SoftBank, our controlling stockholder, would be appointed to our board. Mr. Son provides expertise, leadership and strategic direction to the Sprint board.

Mr. Fisher was selected because he possesses particular knowledge and experience in technology industries, strategic planning and leadership of complex organizations, including other public corporations.

Mr. Bennett has extensive knowledge of the capital markets and other financial and operational issues from his experiences as a principal financial officer and president and chief executive officer of Liberty Media, which allows him to provide an invaluable perspective to our board's discussions on financial and operational matters.

Mr. Bethune has extensive experience serving as a chief executive officer and director of large international corporations, which provides our board a perspective of someone familiar with all facets of an international enterprise. He has extensive experience in developing and implementing strategies and policies for the acquisition and development of employee talent.

Mr. Claure was selected because of his experience making Brightstar one of the largest global distribution, services, and innovation companies in the telecommunications industry. His experience in the telecommunications industry provides a valuable perspective to our board.

Mr. Hesse, as our President and Chief Executive Officer, provides our board with unparalleled insight into our company's operations, and his 36 years of experience in the telecommunications industry provides substantial knowledge of the challenges and opportunities facing our company.

Mr. Ianna's technical background and expertise, and his vast experience in the telecommunications industry as an executive and director for a diverse array of enterprises, allows him to provide a unique perspective to our board on a wide variety of issues.

Adm. Mullen brings to our board extensive senior leadership experience gained over his 43-year career in the U.S. military. As Chairman of the Joint Chiefs of Staff, the highest ranking officer in the U.S. military, Adm. Mullen led the armed forces during a critical period of transition, overseeing two active war zones. Adm. Mullen's experience and relationships within the government allow him to lead our Government Security Committee and provide guidance on national security matters impacting the telecommunications industry. Adm. Mullen has deep experience in leading change in complex organizations, executive development and succession planning, diversity implementation, crisis management, strategic planning, budget policy, risk management, and technical innovation, which are important to the oversight of Sprint's business and will allow him to make a significant contribution to our board.

Ms. Tucker brings to our board expertise relevant to a large telecommunications company, including her business experience and executive leadership expertise. These skills and experience are the result of her education,

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experience in the telecommunications industry, service at the U.S. Department of Education, leadership positions at the Hispanic Scholarship Fund and her service on other public company boards and committees.

Summary of Director Qualifications and Expertise

The table below summarizes key qualifications, skills or attributes each of our directors has that were most relevant to the decision to nominate him or her to serve on our board. The lack of a mark does not mean the director does not possess that qualification or skill; rather a mark indicates a specific area of focus or expertise on which our board relies most heavily. These qualifications and relevant experience are discussed in more detail above.

Experience, Expertise or Attribute	Son	Fisher	Bennett	Bethune	Claure	Hesse	Ianna	Mullen	Tucker
Telecommunications	x	x	x		x	x	x		x
Technology, devices and services	x	x			x	x	x		x
Leadership	x	x	x	x	x	x	x	x	x
Global business	x	x	x	x	x		x		
Financial	x	x	x	x			x		x
Mergers and acquisitions	x	x	x	x		x	x		
Public company board service and governance	x	x	x	x		x	x	x	x
Research and academic									x
Ethnic, gender, national or other diversity	x	x			x				x

Executive Sessions

Sprint's non-management directors meet in regularly scheduled executive sessions without any management participation by officers or employee directors. These executive sessions are currently held either before, after or otherwise in conjunction with our board’s regularly scheduled meetings each year. Additional executive sessions can be scheduled at the request of the non-management directors.

The director who presides over the executive sessions of our board is our chairman, Mr. Son. The committee chairperson chairs the executive sessions of his or her committee. If that chairman or committee chairperson is not present, another director will be chosen to preside. Our board does not have a formal lead independent director. Our board selects a presiding director for any independent director executive sessions.

Audit Committee

Sprint has a standing Audit Committee established in accordance with the requirements of the Exchange Act. The primary purpose of the Audit Committee is to assist our board in fulfilling its oversight responsibilities with respect to:

- the integrity of our financial statements and related disclosures, as well as related accounting and financial reporting processes;
- our compliance with legal and regulatory requirements;
- our independent registered public accounting firm’s qualifications, independence, audit and review scope, and performance;
- the audit scope and performance of our internal audit function;
- related party transactions policy and procedures;
- our ethics and compliance program; and
- our enterprise risk management program.

The Audit Committee also has sole authority for the appointment, retention, termination, compensation, evaluation and oversight of our independent registered public accounting firm. The committee’s principal responsibilities in serving these functions are described in the Audit Committee Charter.

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The Chair of the Audit Committee is Mr. Bennett. The other members are Mr. Ianna and Ms. Tucker. Each of the members is financially literate and able to devote sufficient time to serving on the Audit Committee. Our board has determined that each of the Audit Committee members is an independent director under the independence requirements established by our board and the NYSE corporate governance standards. Our board has also determined that Messrs. Bennett and Ianna each possess the qualifications of an "audit committee financial expert" as defined in the SEC rules.

Committee Charters

Our standing committees are our Audit Committee, Compensation Committee, Finance Committee, and Nominating Committee. Each of our standing committees has a charter that describes such committee's primary functions. A current copy of our Corporate Governance Guidelines and the charter for each standing committee of our board is available at www.sprint.com/governance or by email at shareholder.relations@sprint.com. Copies of any of these documents and our Code of Ethics can be obtained free of charge by writing to: Sprint Shareholder Relations, 6200 Sprint Parkway, Mailstop KSOPHF0302-3B424, Overland Park, Kansas 66251 or by email at shareholder.relations@sprint.com. Our charters and our Corporate Governance Guidelines were adopted by our board and are annually reviewed and revised as necessary.

Code of Ethics

Our code of ethics, The Sprint Code of Conduct, is available at www.sprint.com/governance or by email at shareholder.relations@sprint.com. It describes the ethical and legal responsibilities of directors and employees of our company and our subsidiaries, including senior financial officers and executive officers.

All of our directors and employees (including all senior financial officers and executive officers) are required to comply with The Sprint Code of Conduct. In support of the ethics code, we have provided employees with a number of avenues for reporting potential ethics violations or similar concerns or to seek guidance on ethics matters, including a 24/7 telephone helpline. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by our employees of any concerns regarding questionable financial and non-financial matters to the Ethics Helpline at 1-800-788-7844, by mail to the Audit Committee, c/o Sprint Corporation, 6200 Sprint Parkway, Overland Park, KS 66251, KSOPHF0302-3B424, or by email to boardinquiries@sprint.com. Our Chief Ethics Officer reports regularly to the Audit Committee and annually to the entire board on our ethics and compliance program.

Board Communications

We value the views of our stakeholders. Consistent with this approach, our board has established a procedure to receive, track and respond to communications from stakeholders addressed to our board or to our outside directors. A statement regarding our board communications policy is available at www.sprint.com/governance. Any stakeholder who wishes to communicate with our board or our outside directors may write to our General Counsel, Senior Vice President and Corporate Secretary, who is our Board Communications Designee, at the following address: Sprint Corporation, 6200 Sprint Parkway, Overland Park, KS 66251, KSOPHF0302-3B424, or send an email to boardinquiries@sprint.com. Our board has instructed the Board Communications Designee to examine incoming communications and forward to our board, or individual directors as appropriate, communications deemed relevant to our board's roles and responsibilities. Our board has requested that certain types of communications not be forwarded, and redirected if appropriate, such as: spam, business solicitations or advertisements, resumes or employment inquiries, service complaints or inquiries, surveys, or any threatening or hostile materials. The Board Communications Designee will review all appropriate communications and report on the communications to the chair of or the full Nominating Committee, the full board, or the outside directors, as appropriate. The Board Communications Designee will take additional action or respond to letters in accordance with instructions from the relevant board source. Communications relating to accounting, internal accounting controls, or auditing matters will be referred promptly to members of the Audit Committee in accordance with our policy on communications with our board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

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Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC and the NYSE initial reports of beneficial ownership and reports of changes in beneficial ownership of our shares and other equity securities. These people are required by the SEC regulations to furnish us with copies of all Section 16(a) reports they file, and we make these reports available at www.sprint.com/investors/sec. Information contained on or accessible through our website or the SEC's website is not part of this annual report on Form 10-K.

To our knowledge, based solely on a review of the copies of these reports furnished to us and written representations, during 2013 all Section 16(a) filing requirements applicable to our directors, executive officers and beneficial owners of more than 10% of our equity securities were met, other than Mr. Carter who reported his acquisition and disposition of shares on May 23, 2013 through a Form 4 filed on June 4, 2013.

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Item 11. Executive Compensation
Compensation Discussion and Analysis
This compensation discussion and analysis describes and analyzes our compensation program for our named executive officers for 2013, who were: Daniel R. Hesse, President and CEO; Joseph J. Euteneuer, CFO; Steven L. Elfman, President, Network, Technology and Operations; Robert L. Johnson, President, Sprint Retail and Chief Service and Information Technology Officer; Charles R. Wunsch, Senior Vice President, General Counsel, Corporate Secretary and Chief Ethics Officer; and Paget L. Alves, former Chief Sales Officer.
Compensation Overview
Philosophy and Objectives of Our Executive Compensation Program

- Attract and retain qualified and experienced executives by providing base salaries, target incentives, and benefits that are market competitive and by requiring that a large portion of total compensation is earned over a multi-year period and subject to forfeiture to the extent that vesting requirements and performance objectives are not met.
- Pay for performance by tying a substantial portion of our executives' compensation opportunities directly to, and rewarding them for, our performance through short- and long-term incentive compensation plans that include performance objectives most critical to driving our continued financial and operational improvement and long-term stockholder value.
- Align compensation with stockholder interests by structuring our compensation programs to align executive interests with those of our stockholders, mitigate the possibility that our executives undertake excessively risky business strategies, and adhere to corporate governance best practices.

Components of Our Executive Compensation Program
The major components of our executive compensation program are base salary, our short-term incentive compensation (STIC) plan, and our long-term incentive compensation (LTIC) plan. The base salary and target opportunities under the STIC plan as of December 31, 2013 and LTIC plan opportunities for 2013 for our named executive officers are listed below.

	Base Salary ($)	STIC Plan ($)	LTIC Plan(1) ($)
Hesse	1,200,000	2,400,000	13,800,000
Euteneuer	775,000	1,007,500	4,025,000
Elfman	650,000	812,500	3,737,500
Johnson	625,000	625,000	1,840,000
Wunsch	490,000	441,000	1,610,000
Alves(2)	475,000	475,000	1,610,000

(1) As adjusted for the one-time overall 2013 LTIC plan target opportunity increase of 15% in connection with the SoftBank Merger, as discussed below.
(2) Mr. Alves left the Company effective September 27, 2013.

2013 Performance and Key Compensation Decisions
2013 marked one of the most eventful years in Sprint’s history. We successfully completed the SoftBank Merger, which strengthened Sprint’s balance sheet and provided capital for continued investment in the modernization of our network, which allows us to upgrade our technology, expand our service offerings and improve the quality and reliability of our product offerings. The SoftBank Merger also has allowed Sprint to leverage SoftBank’s operational and technological expertise. We also completed the Clearwire Acquisition, from which we expect to fully utilize and integrate Clearwire's complementary 2.5 GHz spectrum assets. In addition, we shut-down the iDEN network in 2013, and through our network modernization project, we are repurposing the 800 MHz iDEN spectrum and are continuing our buildout of 4G LTE. We also unveiled Sprint Spark[SM], a combination of advanced

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network and device technology capable of delivering up to 50-60 Mbps peak speeds today with increasing speed potential over time.

The Company also recognized the benefits of leadership continuity in light of the transformative SoftBank Merger and the ongoing execution of our network modernization plans. As a result, the Company entered into a new employment agreement with Mr. Hesse, which replaced his prior employment agreement. The agreement provides for a term through July 31, 2018, subject to earlier termination as provided in the agreement. The agreement provides for an annual base salary of $1,200,000 and participation in our STIC and LTIC plans. Also in 2013, Mr. Hesse was granted a one-time award of 1,733,102 RSUs and 1,733,102 stock options. The RSUs and stock options vest on the fifth anniversary of their grant or, if earlier, upon an involuntary termination without cause or resignation with good reason, or upon death or disability, and are subject to certain restrictions, including Mr. Hesse’s compliance with the restrictive covenants in his employment agreement and clawback at the discretion of the board of any value related to his knowing or intentional fraudulent or illegal conduct. These awards were intended to enhance our ability to retain Mr. Hesse's leadership for a minimum period of at least five years during which the Company plans to undergo a transformative change.

2013 STIC Plan

Our STIC plan is our annual cash incentive plan, which is intended to ensure that annual incentives are tied to the successful achievement of critical operating and financial objectives that are the leading drivers of sustainable increases in stockholder value. As required under the SoftBank Merger Agreement, the Compensation Committee used two six-month performance periods for determining amounts payable under the 2013 STIC plan. The two six-month performance periods for 2013 provided flexibility to revisit the performance criteria at mid-year due to the anticipated transformative SoftBank Merger in 2013. The first performance period was from January 1, 2013 through June 30, 2013, and the second period was from July 1, 2013 through December 31, 2013. The SoftBank Merger closed on July 10, 2013. Each performance period had discrete performance objectives, and participants generally had to be employed on December 31, 2013 in order to receive compensation for either period.

The table below summarizes our key priorities in 2013, the metrics selected in support of these priorities, and the rationale for why each was chosen by the Compensation Committee.

Priority	Objective	Rationale
Customer Experience	Sprint platform postpaid subscriber churn, which is a measure of our ability to retain our subscribers who pay for their wireless service on a contract basis, typically for one- or two-year periods.	Measures the degree to which we retain our most profitable subscribers.
Strengthening our Brand	Sprint platform net additions, which is a measure of the new wireless subscribers we gain, net of deactivations.	Measures the degree to which we have attracted new subscribers to the Sprint brand.
Generating Cash	Adjusted EBITDA, which means Adjusted Operating Income Before Depreciation and Amortization less severance, exit costs and other special items. Includes certain impacts from the SoftBank Merger and Clearwire Acquisition that were not included in the standalone plan from which the 2013 STIC targets were established.	Measures our ability to generate cash and profit, which are critical to our ability to invest in our business and service our debt.

The Compensation Committee approved the effective aggregate payout percentage for the 2013 STIC plan at 118.96% of the target award opportunity for all eligible employees, including our named executive officers, based on actual performance results. Our 2013 STIC plan objectives, targets, and actual results are summarized in the tables below.

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2013 First Half-Year Performance Period

Objective	Weight	Target	Actual Results	Percent Payout
Sprint Platform Postpaid Subscriber Churn	30%	1.87%	1.83%	116.7%
Sprint Platform Net Additions	20%	549,000	989,000	200.0%
Adjusted EBITDA	50%	$2,582 million	$2,782 million	200.0%
		First Half-Year Payout		175.01%

2013 Second Half-Year Performance Period

Objective	Weight	Target	Actual Results	Percent Payout
Sprint Platform Postpaid Subscriber Churn	30%	1.88%	2.03%	28.56%
Sprint Platform Net Additions	20%	223,000	(212,000)	0%
Adjusted EBITDA	50%	$2,909 million	$2,930 million	110.53%
		Second Half-Year Payout		63.83%

Payouts under the 2013 STIC plan are capped at 200% of target opportunity. The payout for the second half-year performance period was computed by adding the first half-year performance achievements that were above the 200% payout level for Sprint platform net additions and adjusted EBITDA to the second half-year achievement. We outperformed our adjusted EBITDA target for each of the six month periods; however, we underperformed on our performance objectives set for Sprint platform postpaid subscriber churn and Sprint platform net additions in the second half of 2013, despite having highest-ever Sprint platform subscribers at December 31, 2013 of 53.9 million. This occurred at a time of continued modernization of our network, including our expansion of 4G LTE to more than 200 million people and launching Sprint Spark™ in eleven markets as of December 31, 2013.

2013 LTIC Plan

Our LTIC plan is designed to encourage retention, link payment of performance-based awards to achievement of financial and operational objectives critical to our long-term success, and create commonality of interests between our executives and our stockholders. By dovetailing with the STIC plan, it is also intended to create balance between short-term, or annual, performance goals and longer-term objectives that are critical to growing and sustaining stockholder value. We granted two types of awards under our 2013 LTIC plan:

- Time-based restricted stock units (RSUs)—vest on February 27, 2016.
- Performance-based RSUs—vest on February 27, 2016, with payout conditioned on achievement of a predetermined performance objective during a single two-year performance period of 2014-2015.

The Compensation Committee selected the following primary objective to support our efforts with respect to the performance-based RSUs:

Priority	Objective	Rationale
Generating Cash	Cumulative adjusted EBITDA	Measures our ability to generate cash and profit, which are critical to our ability to invest in our business and service our debt.

The Compensation Committee selected cumulative adjusted EBITDA as the primary objective in order to emphasize long-term focus on earnings and growing subscribers and revenues. Payment on the adjusted EBITDA objective in excess of 150% up to 200% of the targeted opportunity is contingent on achieving an additional objective of retail net subscriber additions, which includes both prepaid and postpaid additions but excludes wholesale and affiliate additions. The Compensation Committee believes use of retail net subscriber additions supports Sprint's core focus of growing our subscriber base. Failure to attain the minimum threshold achievement level on the cumulative adjusted EBITDA performance objective results in forfeiture of the associated opportunity.

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Pursuant to the terms of the SoftBank Merger Agreement, we delayed the grant of awards under the 2013 LTIC plan until after closing of the SoftBank Merger. As a result, awards under the 2013 LTIC plan were not granted on our typical schedule in February. Recognizing that participants would have received additional RSUs through the SoftBank Merger's equity exchange process in the absence of this delay of the traditional February grant and that participants would have benefited from the value creation since February with respect to those awards, the Compensation Committee increased participants' overall 2013 LTIC plan target opportunities by 15%. The Compensation Committee decided such increase also was appropriate in order to reward participants for their performance in the first half of 2013. The adjusted target opportunities under the 2013 LTIC plan for our executives are reflected in "—Compensation Overview—Components of Our Executive Compensation Program."

Corporate Governance Highlights

We endeavor to maintain good governance standards, including with respect to our executive compensation practices. Several highlights are listed below:

- Our named executive officers are subject to a clawback provision in our incentive compensation programs, under which we may recover payouts thereunder to the extent based on financial results or operating metrics impacted by the named executive officer's knowing or intentional fraudulent or illegal conduct.
- We have stock ownership guidelines. See "—Other Components of Executive Compensation—Stock Ownership Guidelines."
- Our named executive officers receive few perquisites, entitlements or elements of non-performance-based compensation, except for market-competitive salaries and modest benefits that are comparable to those provided to all employees.
- Our severance benefits are positioned conservatively relative to market practices, with no benefit in excess of two times base salary plus annual incentive, change-in-control benefits payable only upon a "double-trigger" qualified termination, and no golden parachute excise tax gross-ups.
- The Compensation Committee retains Frederic W. Cook & Co., Inc. (Cook) as an independent advisor that performs no other work for the Company.

Setting Executive Compensation

Role of Compensation Consultant and Executive Officers

The Compensation Committee has retained Cook as its independent compensation consultant. Cook provides no services to us other than advisory services for executive and director compensation and has no other relationships with the Company. Cook works with management only at the request and under the direction of the Compensation Committee and only on matters for which the Compensation Committee has oversight responsibility. The Compensation Committee has assessed the independence of Cook and other advisors to the Compensation Committee, as required under NYSE listing rules. The Compensation Committee has also considered and assessed all relevant factors, including those required by the SEC, that could give rise to a potential conflict of interest with respect to Cook and its other advisors during 2013. Based on this review, the Compensation Committee did not identify any conflict of interest raised by the work performed by any advisors to the Compensation Committee.

Representatives of Cook attend Compensation Committee meetings at the Compensation Committee's request and provide guidance to the Compensation Committee on a variety of compensation issues. The primary point of contact at Cook frequently communicates with the chair of the Compensation Committee and interacts with all Compensation Committee members without management present.

Cook has reviewed the compensation components and levels for our named executive officers and advised the Compensation Committee on the appropriateness of our compensation programs, including our incentive and equity-based compensation plans, retention incentives and proposed employment agreements, as these matters arose during the year. The Compensation Committee has directed that Cook provide this advice taking into account our overall executive compensation philosophy as described above. Cook prepares benchmarking data discussed below, reviews the results with the Compensation Committee, and provides recommendations and an opinion on the reasonableness of new compensation plans, programs and arrangements.

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In addition to its ongoing support of the Compensation Committee and continuous advice on compensation design, levels and emerging market practices, Cook periodically conducts a comprehensive review of our overall executive compensation program, including direct and indirect elements of compensation, to ensure that the program operates in support of our short- and long-term financial and strategic objectives and that it aligns with evolving corporate governance "best practices."

Our CEO periodically discusses the design of and makes recommendations with respect to our compensation programs and the compensation levels of our other named executive officers and certain key personnel with the Compensation Committee. Our CEO does not make recommendations to the Compensation Committee with regard to his own compensation; rather, Cook provides the Compensation Committee with an annual report on CEO compensation and a range of alternatives with regard to potential changes.

Process for Setting Executive Compensation

The Compensation Committee annually reviews the compensation packages of our named executive officers in the form of "tally sheets." These tally sheets value each component of compensation and benefits, including a summary of the outstanding equity holdings of each named executive officer as of year-end and the value of such holdings at various assumed stock prices. The tally sheets also set forth the estimated value that each of our named executive officers would realize upon termination under various scenarios.

The Compensation Committee uses these tally sheets when considering adjustments to base salaries and awards of equity-based or other remuneration and in establishing incentive plan target opportunity levels as follows:

- comparing each named executive officer's total compensation against a similar position in our peer group;
- understanding the impact of decisions on each individual element of compensation on total compensation for each named executive officer;
- evaluating total compensation of each named executive officer from an internal equity perspective; and
- assuring that equity compensation represents a portion of each named executive officer's total compensation that is in line with our philosophy of motivating the executives to align their interests with our stockholders.

Although the Compensation Committee reviews and considers the amounts realizable by our named executive officers under different termination scenarios, including those in connection with a change in control, as well as the current equity-based award holdings, these are not the primary considerations in the assessment and determination of annual compensation for our named executive officers.

Use of Benchmarking Data

To assist in setting total compensation levels that are reasonably competitive, the Compensation Committee annually reviews market trends in executive compensation and a competitive analysis prepared by Cook. This information is derived from the most recent proxy statement data of companies in a peer group of telecommunications and high-technology companies and, where limited in its functional position match to our executives, is supplemented with data on our peer group from a published compensation survey prepared by Towers Watson of approximately 80 participating all industry companies with revenues exceeding $4 billion.

Taking into consideration the recommendation of Cook, the Compensation Committee determines companies for our peer group based on similarity of their business model and product offerings as well as comparability from a size perspective, including annual revenue, market capitalization, net income, enterprise value and number of employees. For example, our revenue is above the median of our peer group while our enterprise value is below the median. The Compensation Committee approved the use of the following 12 companies for its 2013 executive compensation benchmarking analysis:

AT&T, Inc., CenturyLink, Inc., Comcast Corporation, Computer Sciences Corporation, Dell Inc., DIRECTV, Motorola Solutions, Inc., Qualcomm Incorporated, Texas Instruments Incorporated, Time Warner Cable, Inc., Verizon Communications Inc., and Xerox Corporation.

In September of 2013, we made the following changes to our peer group for future executive compensation decisions: removed Dell Inc. from our peer group given its transition to a privately-held company and

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added Cisco Systems, Inc., EMC Corporation and Intel Corporation, based on size, business comparability and other relevant factors.

The Compensation Committee does not follow a specific formula in making its pay decisions, but rather uses benchmarks as a frame of reference and generally targets total compensation at the median of our peer group to reflect our relative position within it. Based on performance against predetermined goals and changes in total stockholder return over time, this approach results in an opportunity to earn total payouts above median market rates for over-achievement and below the median for under-achievement relative to the peer group. The Compensation Committee exercises its judgment by taking into consideration a multitude of other important factors such as experience, individual performance, and internal pay equity in setting target compensation levels, but actual payouts under our variable incentive plans are primarily determined based on formulaic outcomes. With respect to our named executive officers' total targeted compensation for 2013, excluding Mr. Hesse's retention awards, Messrs. Elfman and Euteneuer were above the median, and the remaining named executive officers, including our CEO, were below the median for the peer group.

Primary Components of Executive Compensation

Following is a discussion and analysis of the primary elements of our 2013 named executive officer compensation program.

Base Salary

Base salary is designed to attract and retain executives. Our named executive officers' salaries are based on a number of factors, including the nature, responsibilities and reporting relationships of the position, individual performance of the executive, salary levels for incumbents in comparable positions at peer companies, as well as other executives within our organization, and experience and tenure of the executive.

Mr. Johnson's base salary was increased to $625,000 in 2013 due to a significant increase in job responsibilities as President, Sprint Retail and Chief Service and Information Technology Officer. His base salary after the increase remained below median for the peer group.

Short-Term Incentive Compensation Plan

Our STIC plan is our annual cash bonus plan, which we believe will ultimately result in an increase in stockholder value because our incentives under it are linked to business objectives that we believe will deliver our long-term success.

As required under the SoftBank Merger Agreement, the Compensation Committee used two six-month performance periods for determining the amount of plan payments under the 2013 STIC plan rather than one annual performance period. Based on performance against stated objectives, our named executive officers must have been employed through December 31, 2013 in order to be eligible to receive full compensation for the performance period. A prorated payout is received by employees who are terminated during the year as the result of death, disability, retirement, or involuntary termination without cause.

In February 2013, the Compensation Committee established financial and operational objectives and their respective weightings and targets for the first half-year 2013 performance period, continuing to balance our senior management team's and other plan participants' focus among our most critical financial and strategic objectives, which remained as growing revenue and earnings while increasing subscriber growth and reducing churn. To that end, the Compensation Committee established the following objectives and weightings for the first half of 2013:

- adjusted EBITDA, 50%;
- Sprint platform postpaid subscriber churn, 30%; and
- Sprint platform net additions, 20%.

Following the close of the SoftBank Merger, the Compensation Committee reaffirmed the stated objectives from the first half-year 2013 performance period by establishing the same objectives for the second half of 2013.

To further our goal of tying a significant portion of each named executive officer's total annual compensation to our business performance, the STIC plan provides for a payment equal to the named executive officer's targeted opportunity (set at a percentage of his base salary) only if our actual results meet the targets.

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Similarly, a payment in excess of a named executive officer's targeted opportunity may be made if our actual performance exceeds the targeted objectives (capped at 200%), a payment below targeted opportunity may be made if our actual performance is below the target objectives but exceeded the minimum threshold level, and no payout would be made if our actual performance does not exceed the minimum threshold level. There were no material changes in our named executive officers' targeted short-term incentive opportunities for 2013 compared to 2012.

Long-Term Incentive Compensation Plan

Our LTIC plan serves our compensation objectives by linking payment to achievement of financial and operational objectives and by linking executive interests with those of our stockholders.

Pursuant to the SoftBank Merger Agreement and following evaluation of the factors critical to driving long-term stockholder value, the Compensation Committee established the components and terms of the 2013 LTIC plan. Since 2009, the Compensation Committee has used performance units (cash-settled) as a component of awards under the LTIC plan. This was done during our turnaround phase when the stock price was low and highly volatile. However, the Compensation Committee returned to awards issued under the 2013 LTIC plan comprised solely of equity in light of the transformative SoftBank Merger and the desire to provide incentives for achieving long-term growth and alignment of stockholder interests. The Compensation Committee granted half of executives' LTIC plan opportunities in the form of performance-based RSUs and half in time-based RSUs. The time-based RSUs were granted as a component in order to promote executive retention while allowing us to set aggressive performance goals for the performance-based RSUs component. In light of these considerations, the Compensation Committee established awards under the 2013 LTIC plan as follows:

- Time-based RSUs—vest on February 27, 2016.
- Performance-based RSUs—vest on February 27, 2016, with payout conditioned on achievement of a predetermined performance objective during a single two-year performance period of 2014-2015.

The 2013 LTIC plan places a longer-term focus on Company earnings and growing subscribers and revenues through establishing cumulative adjusted EBITDA as the primary performance objective. This metric was chosen for the performance period because it represents a critical financial and strategic objective. Payment on the adjusted EBITDA objective in excess of 150% up to 200% of the targeted opportunity is contingent on achieving an additional objective of retail net subscriber additions, which includes both prepaid and postpaid additions but excludes wholesale and affiliate additions. The Compensation Committee believes use of retail net subscriber additions supports Sprint’s core focus of growing our subscriber base.

Mr. Johnson's target compensation under the 2013 LTIC plan increased in connection with his increased responsibilities discussed under "—Base Salary" above. His LTIC opportunity after the increase remained below median for the peer group.

Other Compensation Decisions for 2013

On September 10, 2013, Mr. Elfman entered into an amendment to his employment agreement. In exchange for continuing his employment through the earlier of certain specified employment terminations and January 2, 2015, Mr. Elfman is entitled to the following under the amendment: (1) relocation of Mr. Elfman's place of performance to Seattle, Washington, (2) any change in his reporting relationship to anyone other than the chief executive officer or the board would constitute an event of "good reason" as defined in the agreement; and (3) following termination under certain circumstances and execution of a general release, continued and/or prorated accelerated vesting of his then-outstanding equity as if he was involuntarily terminated without cause on his termination date.

As a result of the SoftBank Merger, which complicated our ability to accurately measure performance based on the goals that were originally set, the performance units and performance-based RSUs granted under the 2012 LTIC plan and, with respect to the 2013 annual performance period, the 2011 LTIC plan, were deemed met at target. Amounts deemed earned at target for these awards are included in the summary compensation table in the “Non-Equity Incentive Plan Compensation” column for 2013.

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Other Components of Executive Compensation

Our named executive officers' total rewards opportunities consist of a number of other elements important to our compensation philosophy for 2013 of attracting, retaining, and motivating our named executive officers:

- Employee Benefit Plans and Programs. Our compensation program includes a comprehensive array of health and welfare benefits in which our eligible employees, including our named executive officers, are eligible to participate. We pay all of the costs for some of these benefit plans, and participants contribute a portion of the cost for other benefit plans.
- Retirement Programs. Our retirement program consists of the Sprint Corporation 401(k) Plan, which provides participants a fixed matching contribution on up to 4% of eligible compensation, an opportunity to build financial security for their future. The amount of any matching contributions made by us to participating named executive officers is included in the "All Other Compensation" column of the 2013 Summary Compensation Table.
- Deferred Compensation. Certain employees, including our named executive officers, are offered the opportunity to participate in the Sprint Corporation Deferred Compensation Plan, a nonqualified and unfunded plan, under which they may defer to future years the receipt of certain compensation in addition to that eligible under the 401(k) plan. Participants may elect to defer up to 50% of base salary and 75% of STIC plan payments. We believe this plan helps attract and retain executives by providing the participant another tax efficient retirement plan. Participants elect to allocate deferred and any matching contributions among one or more hypothetical investment options, which include one option that tracks our common stock and other options that track broad-based bond and equity indices. Our plan provides for a matching contribution using the same matching contribution percentage as our 401(k) plan of eligible earnings above the applicable annual limit, which is intended to compensate highly-compensated employees for limitations placed on our 401(k) plan by federal tax law. For 2013, Mr. Hesse participated in the Sprint Corporation Deferred Compensation Plan.
- Personal Benefits and Perquisites. The limited personal benefits and perquisites that we provide to our named executive officers are intended to promote executive retention and to allow our executives to maximize their focus on the company. These benefits are summarized in footnote 5 to the 2013 Summary Compensation Table. As a result of the recommendations contained in an independent third-party security study, the Compensation Committee established an overall security program for Mr. Hesse. Under the security program, we currently provide Mr. Hesse with residential security systems and equipment, and he is required to use our aircraft for business and non-business travel. We believe these measures ensure the safety of Mr. Hesse and allow him to devote his full attention to Company business. Mr. Hesse is permitted to have his family accompany him on the corporate aircraft for business and non-business travel.
- Change in Control. If a transaction that could result in a change in control were under consideration, we expect that our named executive officers would face uncertainties about how the transaction may affect their continued employment with us. We believe it is in our stockholders' best interest if our named executive officers remain employed and focused on our business through any transition period following a change in control and remain independent and objective when considering possible transactions that may be in stockholders' best interests but possibly result in the termination of their employment. Our change in control benefits accomplish this goal by providing each eligible named executive officer with a meaningful severance benefit in the event that a change in control occurs and, within a specified time period of the change in control, his employment is involuntarily terminated without "cause" or voluntarily terminated for "good reason."

The Sprint Corporation Change in Control Severance Plan, which we refer to as the CIC plan, provides severance benefits to a select group of senior executives, including our named executive officers, in the event of a qualified termination of employment in connection with a transaction that results in a change in control. Any of these benefits payable would be reduced to the extent of any severance benefit otherwise available under any other applicable policy, program, or plan so that there would be no duplication of benefits. The benefits upon termination in connection with a change

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in control to which our named executive officers are entitled, as described in "—Potential Payments upon Termination of Employment or Change in Control," are likewise competitive within our peer group.
The SoftBank Merger was a change in control under the Change in Control Severance Plan; however, on September 17, 2013, our board amended the plan to modify the definition of “Change in Control” to (i) exclude acquisitions by SoftBank or its controlled affiliates from the change in control trigger associated with a group (within the meaning of Section 13(d)(3) of the Securities Exchange Act) acquiring 30 percent or more of the combined voting power of the Company, and (ii) include Sprint Corporation ceasing to have equity securities trading on a national securities exchange as a change in control trigger. The board also amended the plan to include an “offset” of change in control benefits for pay and benefits received during any “WARN” notification period to align with such an offset provided in the broad-based separation plan.
Tax Deductibility of Compensation
Section 162(m) limits to $1 million the amount of non-performance-based remuneration that we may deduct from our taxable income in any tax year with respect to our CEO and the three other most highly compensated executive officers, other than the CFO, at the end of the year. Section 162(m) provides, however, that we may deduct from our taxable income without regard to the $1 million limit the full value of all "qualified performance-based compensation."
Our base salary and perquisites and other personal benefits are not considered "qualified performance-based compensation" and therefore are subject to the limit on deductibility. Our STIC plan and LTIC plan awards may be considered "qualified performance-based compensation" if certain requirements are met, including among others that the maximum number of stock option or full value share awards and the maximum amount of other cash performance-based remuneration that may be payable to any one executive officer has been disclosed to and approved by stockholders prior to the award or payment.
The Compensation Committee considers Section 162(m) deductibility in designing our compensation program and incentive-based compensation plans. In general, we may design our STIC and LTIC plans to be compliant with the performance-based compensation rules of Section 162(m) in order to maximize deductibility. In certain circumstances, however, the Compensation Committee has determined it necessary in order to retain executives and attract candidates for senior level positions to offer compensation packages in which the non-performance-based elements exceed the $1 million Section 162(m) limit. The Compensation Committee makes no assurance that such compensation will be fully deductible for federal income tax purposes.
The awards under our 2013 STIC plan and performance-based RSUs under the 2013 LTIC plan are designed so that they may qualify as "qualified performance-based compensation" under Section 162(m), except for those awards to Mr. Johnson due to the terms of his employment agreement.
For the 2013 STIC plan, the Compensation Committee for the first six-month performance period, and a sub-committee comprised of Messrs. Bethune and Mullen (the "Section 16 Sub-Committee") of the Compensation Committee for the second six-month performance period, established Section 162(m) objectives for the named executive officers potentially subject to Section 162(m) at a small fraction of a percentage of our adjusted operating income. The Compensation Committee and Section 16 Sub-Committee are precluded from exercising upward discretion to the payout achieved under these objectives. The Section 16 Sub-Committee exercised its discretion to make payments under the STIC plan at levels below the payout achieved under the Section 162(m) objectives for both performance periods during 2013 as guided by the performance metrics discussed under "Outcomes for 2013 Incentive Awards—2013 STIC Plan."
For the performance-based RSU award for the 2013 LTIC plan, the Section 16 Sub-Committee established a Section 162(m) objective for the named executive officers potentially subject to Section 162(m) based on cumulative adjusted operating income during a single two-year performance period of 2014-2015. The Section 16 Sub-Committee is precluded from exercising upward discretion to the payout achieved under this objective.
Stock Ownership Guidelines
We have stock ownership guidelines for our named executive officers and other members of our senior management team. The board believes ownership by executives of a meaningful financial stake in our Company serves to align executives' interests with those of our stockholders. Our guidelines encourage our CEO to hold shares

of our common stock with a value equal to five times his base salary, and encourage the other named executive officers to hold shares of our common stock with a value equal to three times their respective base salaries. Eligible shares and share equivalents counted toward ownership consist of:

- common or preferred stock, including those purchased through our Employee Stock Purchase Plan;
- restricted stock or RSUs;
- intrinsic value (the excess of the current stock price over the option's exercise price) of vested, in-the-money stock options; and
- share units held in our 401(k) plan and various deferred compensation plans.

Persons subject to the stock ownership guidelines have five years beginning on the date on which the person becomes subject to the ownership guidelines to achieve the ownership requirement. Failure to meet the ownership requirement as of such date results in the requirement to retain 50% of shares received on vesting of restricted stock units and option exercises until the requirement is met. As of December 31, 2013, all of our named executive officers who have been with the Company for at least five years had met the stock ownership guidelines.

Stockholder Say-on-Pay Vote

We provide our stockholders with the opportunity to cast an annual advisory vote on named executive officer compensation (a “say-on-pay proposal”). At our last annual meeting of stockholders, 81% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee considered the voting results at discussions among its members during its meetings, and the Compensation Committee believes this vote affirms stockholders' support of the Company's approach to executive compensation. As a result of this consideration, we did not change our approach to named executive officer compensation in 2013. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the named executive officers.

Compensation Committee Report

The Compensation Committee has reviewed and discussed Sprint's Compensation Discussion and Analysis with management. Based on these reviews and discussions, the Compensation Committee recommended to the board that Sprint's Compensation Discussion and Analysis be included in this Annual Report on Form 10-K for the year ended December 31, 2013.

The Compensation Committee
Gordon M. Bethune, Chair
Ronald D. Fisher
Adm. Michael G. Mullen

Relationship of Compensation Practices to Risk Management

We have assessed whether there are any risks arising from our compensation policies and practices for our employees and factors that may affect the likelihood of excessive risk taking. Based on that review, we have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

In coming to this conclusion, in late 2013 and early 2014, our human resources department reviewed the Company's incentive plans, surveying sales- and nonsales-related compensation programs, as well as executive and non-executive compensation programs. Pay philosophies, performance objectives and overall incentive plan designs were reviewed. Human resources discussed plan elements with representatives from the business functions responsible for incentive plan design and administration. Design features were assessed to determine whether there is a likelihood that incentive plans could encourage excessive risk-taking resulting in a material adverse effect on the Company and to ensure that appropriate governance is in place to mitigate risk under unforeseen circumstances. The results of this assessment were reviewed by the Compensation Committee on February 18, 2014. In addition, the Compensation Committee's independent consultant, Cook, considered risk in all aspects of the plans in which our executives participate and advised the Compensation Committee accordingly. Cook confirmed that there are no aspects of the programs described in the preceding Compensation Discussion and Analysis that create an incentive to take risks that are reasonably likely to have a material adverse effect on the Company.

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Summary Compensation Table

The table below summarizes the compensation of our named executive officers that is attributable to the fiscal years ended December 31, 2013, 2012, and 2011. The named executive officers are our President and CEO, our CFO, our three other most highly compensated executive officers serving at December 31, 2013 and one individual for whom disclosure would have been provided but for the fact that he was not an executive officer as of December 31, 2013. Amounts included in "Non-Equity Incentive Plan Compensation" for 2013 include performance units granted under the 2012 LTIC plan, which, as provided for in the SoftBank Merger Agreement, were converted as if target performance had been achieved as of the closing date of the SoftBank Merger. Although these awards do not vest until December 31, 2014, the target amounts are required to be reported as earned in 2013 and account for nearly all of the increase over prior years' non-equity incentive plan compensation.

Each of our named executive officers has an employment agreement with us. For more information regarding our compensation philosophy and a discussion of the elements of our compensation program, see "—Compensation Discussion and Analysis."

2013 Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
		($)	($)	($)(1)	($)(2)	($)(3)	($)(4)	($)(5)	($)
Daniel R. Hesse	2013	1,200,000	—	27,782,547	6,291,160	13,431,914	—	372,078	49,077,699
President and	2012	1,200,000	—	3,560,070	1,214,695	5,002,457	—	167,334	11,144,556
Chief Executive Officer	2011	1,200,000	829,322	3,222,768	1,692,000	4,844,272	—	94,289	11,882,651
Joseph J.	2013	775,000	—	4,776,268	—	3,531,887	—	10,200	9,093,355
Euteneuer	2012	775,000	—	1,215,727	742,609	1,430,935	—	14,875	4,179,146
Chief Financial Officer	2011	551,442	688,150	930,557	689,755	895,935	—	77,088	3,832,927
Steven L.	2013	650,000	—	4,448,210	—	3,133,242	—	182,922	8,414,374
Elfman	2012	650,000	—	1,319,200	689,565	1,561,531	—	14,875	4,235,171
President Network, Technology and Operations	2011	650,000	251,232	868,963	596,097	1,470,688	—	7,837	3,844,817
Robert L.	2013	566,981	—	2,163,490	—	1,645,661	—	10,200	4,386,332
Johnson	2012	523,846	—	597,376	318,261	847,621	—	14,875	2,301,979
President Sprint Retail and Chief Service and Information Technology Officer	2011	486,308	123,842	372,019	256,780	718,990	—	47,578	2,005,517
Charles R. Wunsch Senior	2013	465,769	—	1,902,962	—	1,406,534	—	10,200	3,785,465

Vice President, General Counsel, Corporate Secretary and Chief Ethics Officer										
Paget L. Alves former Chief Sales Officer	2013	391,418	—	1,879,862	—	1,415,554	—		4,990,229	8,677,063

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(1) The value shown for 2013 is the sum of three awards: the performance-based RSU awards allocable to the 2013 performance period under the 2011 LTIC plan plus time- and performance-based RSU awards under the 2013 LTIC plan. The value shown for Mr. Hesse also includes a retention award in the form of time-based RSUs.

	2011 pRSUs ($)	2013 RSUs ($)	2013 pRSUs ($)	Retention RSUs ($)	Total ($)
Hesse	1,884,969	6,900,003	7,940,384	11,057,191	27,782,547
Euteneuer	447,821	2,012,501	2,315,946	—	4,776,268
Elfman	428,946	1,868,747	2,150,517	—	4,448,210
Johnson	184,778	919,998	1,058,714	—	2,163,490
Wunsch	171,581	805,002	926,379	—	1,902,962
Alves	148,481	805,002	926,379	—	1,879,862

For the 2013 RSU awards, the value represents the aggregate grant date fair market value computed in accordance with FASB ASC Topic 718 as of the date the Compensation Committee approved the applicable objectives and targets for the two- year performance period under the 2013 LTIC plan. The performance-based RSUs granted under the 2013 LTIC plan are based on target opportunity and vest on February 27, 2016 but are also subject to performance-based vesting conditions. Payout values for performance-based RSUs under the 2013 LTIC plan based on maximum performance would be $15,880,768 for Mr. Hesse, $4,631,892 for Mr. Euteneuer, $4,301,034 for Mr. Elfman, $2,117,428 for Mr. Johnson, and $1,852,758 for each of Messrs. Wunsch and Alves. The time-based RSUs granted under the 2013 LTIC plan vest on February 27, 2016. The RSUs under the 2011 LTIC plan are allocated one-third to each annual performance period from 2011-2013 and represent the aggregate grant date fair market value computed in accordance with FASB ASC Topic 718 as of the date the Compensation Committee approved the applicable objectives and targets for the 2013 performance period. Each annual performance target was set by the Compensation Committee at the start of each respective single year performance period under the 2011 LTIC plan. For more information regarding Mr. Hesse's retention award, see "—Compensation Discussion and Analysis—Setting Executive Compensation—Other Compensation Decisions for 2013." For more information regarding the 2013 LTIC plan, see "—Compensation Discussion and Analysis—Primary Components of Executive Compensation—Long-Term Incentive Compensation Plan."

(2) Represents the grant date fair value of options granted in 2013 computed in accordance with FASB ASC Topic 718. The grant date fair value for the options awarded is $3.63 per share. See "—Note 2—Summary of Significant Accounting Policies." For more information regarding Mr. Hesse's retention award, see "—Compensation Discussion and Analysis—Setting Executive Compensation—Other Compensation Decisions for 2013."

(3) The value shown for 2013 is the sum of performance unit awards under the 2011 LTIC plan allocable to the 2013 performance period, performance unit awards earned in 2013 under the 2012 LTIC plan, and the payout under the 2013 STIC plan.

	2011 Performance Units ($)	2012 Performance Units ($)	2013 STIC Plan ($)	Total ($)
Hesse	1,956,800	8,620,000	2,855,114	13,431,914
Euteneuer	583,334	1,750,000	1,198,553	3,531,887
Elfman	541,667	1,625,000	966,575	3,133,242
Johnson	233,334	750,000	662,327	1,645,661
Wunsch	216,667	700,000	489,867	1,406,534
Alves	187,500	700,000	528,054	1,415,554

With respect to the 2013 STIC plan, each named executive officer earned a payout of 118.96% of his targeted opportunity based on actual performance in 2013. For more information regarding our STIC plan, see "—Compensation Discussion and Analysis—Primary Components of Executive Compensation—Short-Term Incentive Compensation Plan."

With respect to the performance units under the 2011 LTIC plan, the amount shown is the amount allocable to the 2013 performance period with respect to performance units granted by the Compensation Committee on February 23, 2011. The performance unit award under the 2011 LTIC plan is allocated one-third to each annual performance period for three years (2011-2013) and is payable in cash after the end of the three-year period. Each annual performance target is set by the Compensation Committee at the start of each respective single-year performance period, and the payout of the performance unit award may range from 0% to 150% based on the achievement of specified results. As a result of the SoftBank Merger, the performance units granted under the 2011 LTIC plan with respect to the 2013 annual performance period were deemed met at target, resulting in an aggregate payout percentage for our named executive officers of 100% for those awards. Performance units granted under the 2012 LTIC plan were deemed met at target as a result of the SoftBank Merger, resulting in an aggregate payout percentage for our named executive officers of 100% for those awards. See "—Note 2—Summary of Significant Accounting Policies" and "—Compensation Discussion and Analysis—Setting Executive Compensation—Other Compensation Decisions for 2013."

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(4) Change in pension value was $(29,263) and $(28,521) for Messrs. Wunsch and Alves, respectively, due to change in interest and mortality assumptions. No amounts were attributable to above-market or preferential earnings on non-qualified deferred compensation.

(5) Consists of: (a) amounts contributed by us under our 401(k) and deferred compensation plans; and (b) perquisites and other personal benefits and tax gross-ups as follows:

	Year	Company Contributions to 401(k) and Deferred Compensation Plans ($)	Perquisites and Other Personal Benefits and Tax Gross-Ups ($)[i]
Hesse	2013	129,911	242,167
Euteneuer	2013	10,200	—
Elfman	2013	10,200	172,722
Johnson	2013	10,200	—
Wunsch	2013	10,200	—
Alves	2013	10,200	4,980,029

(i) The perquisites and other personal benefits received by Mr. Hesse in 2013 consisted of: non-business use of our corporate aircraft by Mr. Hesse and his family, which had an incremental cost to us of $6,686; costs for security services for Mr. Hesse's residence, which had an incremental cost to us of $8,687; and $226,794 in legal fees relating to the negotiation of Mr. Hesse's employment contract.

The incremental cost of use of our aircraft is calculated by dividing the total variable costs (such as fuel, aircraft maintenance, engine warranty expense, contract labor expense and other trip expenses) by the total flight hours for the past twelve months and multiplying such amount by the individual's total number of flight hours for non-business use for the year.

The Compensation Committee has established an overall security program for Mr. Hesse. Under the security program, we provided Mr. Hesse with residential security systems and equipment and he was required to use our aircraft for business travel as well as non-business travel. Mr. Hesse was permitted to have his family accompany him on the corporate aircraft for business and non-business travel.

The amount disclosed for Mr. Elfman consists of relocation costs of $143,549 in connection with relocation of Mr. Elfman's principal place of work to Seattle, Washington and $29,173 in related tax gross-ups. For more information regarding Mr. Elfman's relocation, see "—Compensation Discussion and Analysis—Setting Executive Compensation—Other Compensation Decisions for 2013."

The amount disclosed for Mr. Alves consists of $4,980,029 in severance payments upon termination of his employment pursuant to his employment agreement. For more information regarding these severance payments, see "Potential Payments upon Termination of Employment or Change in Control."

Grants of Plan-Based Awards

The table below summarizes awards under our STIC and LTIC incentive plans, and other option awards, to our named executive officers in 2013. These awards consisted of the following:

- Awards granted pursuant to our 2013 STIC plan;
- Performance units and performance-based RSUs for the 2013 portion of our 2011 LTIC plan;
- Time-based and performance-based RSUs granted pursuant to our 2013 LTIC plan; and
- Stock options and time-based RSUs granted to Mr. Hesse.

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2013 Grants of Plan-Based Awards

Name	Grant Date	Award Type	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Hesse	2/27	STI(1)	600,000	2,400,000	4,800,000	—	—	—	—	—	—	—
	2/27	LTI(2)	1,467,600	5,870,400	8,805,600	—	—	—	—	—	—	—
	2/27	pRSU(3)	—	—	—	—	321,667	321,667	—	—	—	1,884,969
	9/16	pRSU(4)	—	—	—	298,960	1,195,841	2,391,682	—	—	—	7,940,384
	7/24	RSU(5)	—	—	—	—	—	—	1,195,841	—	—	6,900,003
	8/1	RSU(6)	—	—	—	—	—	—	1,733,102	—	—	11,057,191
	8/1	SO(7)	—	—	—	—	—	—	—	1,733,102	6.38	6,291,160
Euteneuer	2/27	STI(1)	251,875	1,007,500	2,015,000	—	—	—	—	—	—	—
	2/27	LTI(2)	437,500	1,750,000	2,625,000	—	—	—	—	—	—	—
	2/27	pRSU(3)	—	—	—	—	76,420	76,420	—	—	—	447,821
	9/16	pRSU(4)	—	—	—	87,197	348,787	697,574	—	—	—	2,315,946
	7/24	RSU(5)	—	—	—	—	—	—	348,787	—	—	2,012,501
Elfman	2/27	STI(1)	203,125	812,500	1,625,000	—	—	—	—	—	—	—
	2/27	LTI(2)	406,250	1,625,000	2,437,500	—	—	—	—	—	—	—
	2/27	pRSU(3)	—	—	—	—	73,199	73,199	—	—	—	428,946
	9/16	pRSU(4)	—	—	—	80,968	323,873	647,746	—	—	—	2,150,517
	7/24	RSU(5)	—	—	—	—	—	—	323,873	—	—	1,868,747
Johnson	2/27	STI(1)	142,757	571,027	1,142,054	—	—	—	—	—	—	—
	2/27	LTI(2)	175,000	700,000	1,050,000	—	—	—	—	—	—	—
	2/27	pRSU(3)	—	—	—	—	31,532	31,532	—	—	—	184,778
	9/16	pRSU(4)	—	—	—	39,861	159,445	318,890	—	—	—	1,058,714
	7/24	RSU(5)	—	—	—	—	—	—	159,445	—	—	919,998
Wunsch	2/27	STI(1)	105,285	421,138	842,276	—	—	—	—	—	—	—
	2/27	LTI(2)	162,500	650,000	975,000	—	—	—	—	—	—	—
	2/27	pRSU(3)	—	—	—	—	29,280	29,280	—	—	—	171,581
	9/16	pRSU(4)	—	—	—	34,879	139,515	279,030	—	—	—	926,379
	7/24	RSU(5)	—	—	—	—	—	—	139,515	—	—	805,002
Alves	2/27	STI(1)	118,750	475,000	950,000	—	—	—	—	—	—	—
	2/27	LTI(2)	140,625	562,500	843,750	—	—	—	—	—	—	—
	2/27	pRSU(3)	—	—	—	—	25,338	25,338	—	—	—	148,481
	9/16	pRSU(4)	—	—	—	34,879	139,515	279,030	—	—	—	926,379
	7/24	RSU(5)	—	—	—	—	—	—	139,515	—	—	805,002

(1) STI—Represents the threshold, target and maximum estimated possible payouts for fiscal year 2013 under our 2013 STIC plan. Payouts under the 2013 STIC plan, which were based on our 2013 actual performance compared to the financial and operating objectives of the plan, were made at approximately 118.96% of each named executive

officer's target opportunity and are reflected in the 2013 Summary Compensation Table in the column entitled "Non-Equity Incentive Plan Compensation." Each performance objective under the plan had a threshold achievement level, below which there would be no payout, a target achievement level, at which the target opportunity would be paid, and a maximum achievement level, at which 200% of the target would be paid for the annual performance period. For purposes of this table, the minimum estimated possible payout assumes that the threshold achievement level was satisfied and for target, assumes payout at satisfaction of target. For more information on the 2013 STIC plan, see "Compensation Discussion and Analysis—Primary Components of our Executive Compensation—Short-Term Incentive Compensation Plan."

(2) LTI—Represents the threshold, target and maximum estimated possible payouts for the 2013 portion of performance units granted by the Compensation Committee on February 23, 2011 under our 2011 LTIC plan; the 2013 Summary Compensation Table reflects target payouts, as described in footnote 3 thereto. As a result of the SoftBank Merger, the performance units granted under the 2011 LTIC plan with respect to the 2013 annual performance period were deemed met at target, resulting in an aggregate payout percentage for our named executive officers of 100% for those awards.

(3) pRSUs—Represents a performance-based RSU award for the 2013 portion of our 2011 LTIC plan, which, as granted, was payable only upon satisfaction of performance conditions, and now is payable at target in accordance with the SoftBank Merger Agreement and vested 100% on February 23, 2014 (April 4, 2014 for Mr. Euteneuer).

(4) pRSUs—Represents a performance-based RSU award granted under our 2013 LTIC plan, which is subject to adjustment in accordance with the performance objectives. Vesting occurs 100%, as adjusted for achievement in the two-year performance period ending on December 31, 2015, on February 27, 2016. 27,113 of Mr. Alves' performance-based RSUs vested, and the remainder were forfeited, in connection with his termination.

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(5) RSUs—Represents a time-based RSU award granted under our 2013 LTIC plan. Vesting occurs 100% on February 27, 2016. 27,113 of Mr. Alves' time-based RSUs vested, and the remainder were forfeited, in connection with his termination.
(6) RSUs—Represents a time-based RSU award granted to Mr. Hesse. Vesting occurs 100% on August 1, 2018.
(7) SO—Represents stock options granted to Mr. Hesse. Vesting occurs 100% on August 1, 2018.

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes option and equity awards outstanding as of December 31, 2013 held by each of our named executive officers based on the closing price of a share of our common stock of $10.75 on that date.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)(1)	Market Value of Shares or Units of Stock that Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested ($)(1)
Hesse	—	1,733,102 (2)	6.38	8/1/2023	5,003,104 (7)	53,783,368	1,195,841 (8)	12,855,291
	370,964 (3)	741,929 (3)	2.00	2/22/2022	—	—	—	—
	670,651 (4)	335,326 (4)	3.76	2/23/2021	—	—	—	—
	254,035 (5)	254,035 (5)	3.09	3/16/2020	—	—	—	—
	2,968,678 (6)	—	3.22	2/25/2019	—	—	—	—
	573,795 (6)	—	5.84	3/26/2018	—	—	—	—
	1,117,753 (6)	—	12.45	12/17/2017	—	—	—	—
	1,117,753 (6)	—	14.94	12/17/2017	—	—	—	—
	1,425,135 (6)	—	17.42	12/17/2017	—	—	—	—
Euteneuer	226,790 (3)	453,581 (3)	2.00	2/22/2022	1,133,260 (7)	12,182,545	348,787 (8)	3,749,460
	254,447 (9)	127,224 (9)	4.14	4/4/2021	—	—	—	—
Elfman	210,590 (3)	421,182 (3)	2.00	2/22/2022	1,028,602 (7)			