



**SPRINT NEXTEL CORPORATION**

Schedule of Costs Expended in Connection with  
Clearance of the 1.9 GHz Band

October 31, 2010

(With Independent Accountants' Report Thereon)



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## **Independent Accountants' Report**

The Board of Directors  
Sprint Nextel Corporation:

We have examined management's assertion that costs included in the accompanying Schedule of Costs Expended in Connection with Clearance of the 1.9 GHz Band for the ten months ended October 31, 2010 and for the inception to date period from January 1, 2005 to October 31, 2010 are related to the 1.9 GHz Rebanding Project, as described in the Report and Order of the Federal Communications Commission (the FCC) dated August 6, 2004, are accurate, and qualify as an offset to Sprint Nextel Corporation's (the Company) total obligation. The Company's management is responsible for the assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the criteria established in the Report and Order of the FCC.

This report is intended solely for the information and use of Sprint Nextel Corporation and the FCC, including 800 MHz Transition Administrator, LLC as appointed by the FCC, and is not intended to be, and should not be, used by anyone other than these specified parties.

**KPMG LLP**

May 16, 2011

**SPRINT NEXTEL CORPORATION**  
Schedule of Costs Expended in Connection  
with Clearance of the 1.9 GHz Band  
(in 000's)

	<b>Ten months ended October 31, 2010</b>	<b>Inception to date</b>
	<u>                    </u>	<u>                    </u>
Description:		
Equipment	\$ (6,778)	410,374
Incumbent costs and other external labor	38,462	287,457
Internal labor and other	<u>2,481</u>	<u>32,144</u>
Total	<u>\$ 34,165</u>	<u>729,975</u>

See accompanying notes to Schedule of Costs Expended in Connection with Clearance of the 1.9 GHz Band.

## SPRINT NEXTEL CORPORATION

### Notes to Schedule of Costs Expended in Connection with Clearance of the 1.9 GHz Band

October 31, 2010

#### (1) Project background

The homeland security obligations of the United States' public safety agencies make it imperative that the communications systems are robust and highly reliable. Accordingly, in the Report and Order of the Federal Communications Commission (the FCC) dated August 6, 2004 (the Report and Order), the FCC adopted technical and procedural measures designed to address the ongoing and growing problem of interference to public safety communications in the 800 MHz radio frequency band. The decisions reached therein were done so to fulfill the FCC's obligation to "promote safety of life and property through the use of wire and radio communication".

As part of the solution designed to address the problem of interference to public safety communications, Sprint Nextel Corporation (the Company) must meet the obligations imposed by 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. In addition, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band; however, we are required to relocate and reimburse the incumbent licensees in this band for their costs of relocation to another band designated by the FCC. To the extent such costs for both reconfiguring the 800 MHz spectrum and relocating incumbents in the 1.9 GHz band do not exceed \$2.8 billion, the Company will be obligated to remit the shortfall to the U.S. Treasury.

We completed all of our 1.9 GHz relocation and reimbursement obligations in 2010. The accompanying schedule of costs expended in connection with clearance of the 1.9 GHz band (the Schedule) includes only the costs associated with the relocation of incumbents in the 1.9 GHz band and therefore does not include the costs associated with the reconfiguration of the 800 MHz spectrum.

All costs are subject to review and ultimate approval for credit by the FCC or their designee.

#### (2) Basis of presentation

**Equipment** represents amounts paid to vendors for equipment related to the clearing of the 1.9 GHz band.

During 2010, the Company initiated the process to recover \$7.0 million of use tax payments made to certain taxing jurisdictions related to equipment purchases. These payments have been removed from the equipment costs in 2010 pending the recovery of these payments from the taxing jurisdictions.

As of October 31, 2010, all obligations related to the clearance of the 1.9 GHz band have been satisfied. The inception to date expenses include a net cost of \$31.3 million related to amounts paid to the equipment manufacturers under their respective contracts for equipment that was not used and for which we were not able to recover the cost.

**Incumbent costs and other external labor** includes amounts paid to vendors for services performed related to the clearing of the 1.9 GHz band. External labor also includes expenditures incurred by incumbents for which the Company is ultimately responsible.

## SPRINT NEXTEL CORPORATION

### Notes to Schedule of Costs Expended in Connection with Clearance of the 1.9 GHz Band

October 31, 2010

**Internal labor and other** primarily represents payroll costs, including benefits, for Company employees contributing to the clearing of the 1.9 GHz band. Shared services labor costs, including legal and finance employees are allocated to the 1.9 GHz and 800 MHz rebanding projects based on the Company's time studies. These allocations are consistent with other allocations between the two projects. Only costs associated with the 1.9 GHz relocation are presented in the Schedule.

During 2010, the Company reduced shared services labor costs by approximately \$0.5 million related to revisions in our allocation methodology. The changes were made to ensure allocation methodologies were consistent between all reconfiguration projects covered by the Report and Order. The components of **internal labor and other** are as follows:

#### Internal labor costs allocated to 1.9 GHz rebanding

(in 000's)

	<b>Ten months ended October 31, 2010</b>	<b>Inception to date</b>
1.9 GHz direct labor costs	\$ 2,083	25,570
Legal shared services labor costs	(544)	2,357
Finance shared labor costs	923	4,106
Other	19	111
Total internal labor and other	<u>\$ 2,481</u>	<u>32,144</u>

