Donna Epps
Vice President
Federal Regulatory Affairs

1300 I Street, NW, Suite 400 West
Washington, DC 20005

Phone 202 515-2527
Fax 202 336-7922
donna.m.epps@verizon.com

July 24, 2012

Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A325
Washington, DC 20554

Re: Special Access Rates for Price Cap Local Exchange Carriers, WC Docket No. 05-25 and RM-10593

Dear Ms. Dortch:

Yesterday, Kathleen Grillo, Ed Shakin, and the undersigned of Verizon met with Michael Steffen of Chairman Genachowski's office to discuss special access. In the meeting, we discussed the appropriate analytical framework to evaluate competitive alternatives to ILEC special access and the type of data the Commission should solicit from all competitors in a mandatory data request.

In particular, we explained that the Commission's analytical framework must be forward-looking in order to capture current competitive activity and to address the dynamic nature of the high-capacity services marketplace. We stressed that the Commission should evaluate the contestability of the marketplace by examining both where competitors currently provide service and where they can provide service.

Regarding the impending data request, we explained that in order to conduct its analysis the Commission needs to obtain data to determine where competitors are offering service, where they can offer service, and where they plan to offer service in the near future. We also explained that a simple market share analysis would be inappropriate because it is inherently backward-looking and presents a static view that will not provide an accurate picture of how the competitive marketplace is evolving. We noted that to determine the extent to which competitors are capable of entering the market and not just where competitive entry has already occurred, the Commission should ask providers to identify geographic areas where they currently provide or are technically capable of providing high-capacity services, to provide data or maps that show the geographic areas where they plan to offer high-capacity services in the near future, and to provide information about where they submitted competitive bids to provide high-capacity services to other customers. Furthermore, we emphasized that the mandatory data request should make clear that providers that do not respond will face consequences. During the meeting, we also discussed the attached Nomura Equity Research's report that Sprint has almost completed backhaul contracts for its 38,000 cell sites and that "all cable operators are involved."

Sincerely,

Donna Epps

Attachment

cc: Michael Steffen

Sprint Nextel Corporation S.N S US .

AMERICAS TELECOMMUNICATIONS

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EQUITY RESEARCH

Takeaways From Meetings With Management

Quick Note

June 21, 2012

Rating Remains	Neutral
Target price Remains	USD 2.50
Closing price June 20, 2012	USD 3.13

On schedule, under budget

Yesterday, we met with Steve Elfman, President, Network Operations and Wholesale, and Brad Hampton, Vice President of Investor Relations in Kansas City. Overall, the meetings support our view that Network Vision remains on schedule, with management comfortable with both the timing and costs associated with the project. It appears that network overlap, which is a significant cost associated with Network Vision, is running less than the 3-6 month expected window, potentially allowing for lower-than-expected project costs.

Unlikely to adopt Verizon-like pricing mechanism

Management indicated that the company was unlikely to follow suit on shared data pricing, not surprising given the mantra on unlimited data offerings. Sprint will likely eschew the idea of moving to a more aggressive pricing stance that would include unlimited voice, text, and data. We will be watching for continued pressure on voice as a potential catalyst to adopt a different pricing mechanism.

EBITDA expectations likely move higher with new accounting

Management indicated that beginning in 2Q12, the tower lease costs or early termination penalties for iDEN sites that are taken off air will be treated as 1x items and expensed in the period. We expect the Street to accept this accounting treatment, which effectively limits the impact of significant negative operating leverage of the iDEN network shutdown.

Core operations take a backseat...again

We expect the Street to look positively on Sprint shares over the next few quarters as the progress on Network Vision remains the key focus. It is hard to dispute Network Vision progress, and we understand that margins moving higher on lower than expected project costs will be viewed positively. In the absence of a verifiable longer-term margin profile, we expect near-term upside for the shares. The normalization of iDEN costs will also serve to bolster the bull case. Nonetheless, longer-term, we remain concerned that inferior scale, high leverage, and poor positioning vis-a-vis AT&T and Verizon do not bode well for the shares.

Research analysts

Americas Telecommunications

Mike McCormack, CFA - NSI
michael.mccormack@nomura.com
+1 212 298 4154

Tudor Mustata - NSI
tudor.mustata@nomura.com
+ 1 212 298 4337

See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Steve Elfman
President, Network Operations and Wholesale,
The *Network Vision build-out, and iDEN decommissioning are the key pieces to watch.*

iDEN Decommissioning

- Tower decommissioning occurs in two phases: first turn off, and then decommission. The company gets financial benefits from turning off immediately (9600 sites by end of 3Q); on track, costs are coming out.
- 35-40% of total site costs come out from turning off.
- Sprint has hired three non-network firms to negotiate with tower companies and sell equipment.
- iDEN network thinning is having no impact on outdoor call drops and blocks. In-building service could be worse in some cases; in rare cases, will put a site back on air if it harms user experience.
- Churn on iDen will be a good metric by which to judge the progress of iDEN thinning.
- Decommission timing is dependent upon tower negotiation. Equipment typically sold for scrap.
- 20k iDEN sites set to go off air in 2013.
- Backhaul and tower lease will be treated as 1x for accounting purposes as sites are taken off air.

Network Vision

- Pipeline has been good, no technical issues, everything is working.
- Have had no reoccurrence of weight issues on towers.
- Already live in several markets (Chicago, Atlanta). Want a certain number of sites up before announcing launch/converted markets, will be specific on markets when announced.
- Leasing going well, ahead of planned 12k sites on air pace, more zoned than leased, and notice to proceed has grown significantly
- Challenges are mostly logistical, products from various countries not an issue, but getting all the parts to the sites at the right time has been a challenge for all three vendors, have had to rework logistical procedures; backhaul timing is also difficult to coordinate.
- Run rate of new sites gets better week after week, growth rate is on good trajectory.
- Backhaul is all leased (fiber, some fiber-microwave combo, some pure microwave); microwave will be roughly 10% of sites.
- Almost completed backhaul contracts for all 38k sites, all cable operators are involved, Verizon not a significant vendor, AT&T was most competitive in many regions, CenturyLink also contributing.
- 6 months overlap planning is proving very conservative.
- Using 800MHz for CDMA voice, getting better in-building coverage.
- Since June of last year, every device but the iPhone, is 800 MHz enabled for voice. Sprint is currently using 2x2Mhz carrier for voice.
- LTE will be deployed on 800MHz in 2014 with a 5x5 channel.
- Late 2013 devices will have band class for both 800MHz LTE and 2.5GHz LTE.
- On prepaid, Sprint is using devices that were on postpaid. It is using WiMAX for a 4G prepaid experience.
- Starting next year, will have devices with TD LTE capability.
- VoLTE is likely a 2014 event.

iPhone & User Experience

- The 1.9GHz, 5x5 LTE deployment is good enough given the smaller subscriber base.
- The plan is to use 1.9 GHz as the workhorse and the 2.5 GHz as an offload.
- It is likely that 2.5 GHz will be needed for capacity constrained markets for a long time.
- Radio management will allow for better battery life.
- It is likely that the right frequency bands are in the next iPhone.
- It is likely that the next iPhone will be available in all markets given strong 3G and reasonable LTE (120M Pops by YE12) coverage.

Appendix A-1

Analyst Certification

I, Michael McCormack, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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Issuer name	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Sprint Nextel Corporation	S US	USD 3.13	20-Jun-2012	Neutral	Neutral	A9

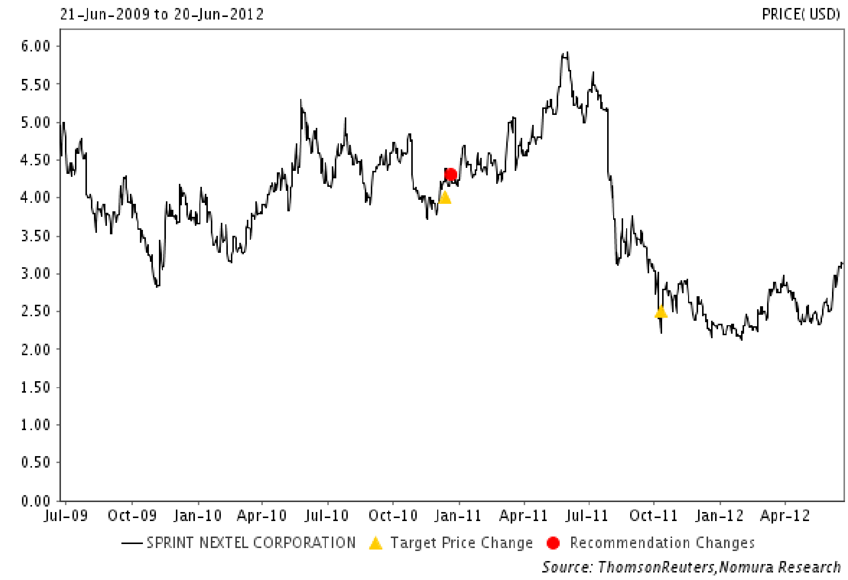
A9 Nomura Securities International Inc. makes a market in securities of the issuer.

Previous Rating

Issuer name	Previous Rating	Date of change
Sprint Nextel Corporation	Not Rated	13-Dec-2010

Sprint Nextel Corporation (S US) **USD 3.13 (20-Jun-2012)** Neutral (Sector rating: Neutral)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
10-Oct-11		2.50	2.22
13-Dec-10	Neutral		4.38
13-Dec-10		4.00	4.38

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We have a year-end 2012 price of $2.50 on Sprint. Our target is based on a DCF model that employs a 9% WACC and a 4.0x terminal EBITDA multiple. The benchmark for this company is the S&P Telecommunications Services Sector Index.

Risks that may impede the achievement of the target price Risks to the upside of our price objective include better-than-expected improvement in gross adds; lower-than-anticipated iPhone share loss to Verizon; more stable ARPU than is expected; and lower-than-forecast CPGA. Risks to the downside include continued margin erosion due to competitive wireless landscape; a 4G strategy, particularly the need to continue funding Clearwire; uncertainty regarding return on network modernization; wireless share loss, particularly to Verizon's iPhone; weakening of Enterprise trends; and wireless pricing erosion.

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STOCKS

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SECTORS

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Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

STOCKS

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